

Agency Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Agency Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	149.72	3.00	7.90	160.62	3.00	8.90	161.62	161.62
Personal Services	7,551,646	1,443,298	698,915	9,693,859	1,573,338	1,141,567	10,266,551	19,960,410
Operating Expenses	7,799,929	2,185,182	2,662,374	12,647,485	2,149,304	799,581	10,748,814	23,396,299
Equipment	42,256	0	0	42,256	0	0	42,256	84,512
Local Assistance	22,944	0	0	22,944	0	0	22,944	45,888
Grants	0	860,530	0	860,530	860,530	0	860,530	1,721,060
Transfers	500,000	(500,000)	0	0	(500,000)	0	0	0
Debt Service	32,050	0	0	32,050	0	0	32,050	64,100
Total Costs	\$15,948,825	\$3,989,010	\$3,361,289	\$23,299,124	\$4,083,172	\$1,941,148	\$21,973,145	\$45,272,269
General Fund	3,645,471	2,550,644	1,728,660	7,924,775	2,660,514	799,510	7,105,495	15,030,270
State/Other Special	4,210,892	1,819,522	774,307	6,804,721	1,894,859	1,013,239	7,118,990	13,923,711
Federal Special	147,422	(60,129)	800,000	887,293	(60,089)	0	87,333	974,626
Capital Projects	500,000	(500,000)	0	0	(500,000)	0	0	0
Proprietary	7,445,040	178,973	58,322	7,682,335	87,888	128,399	7,661,327	15,343,662
Total Funds	\$15,948,825	\$3,989,010	\$3,361,289	\$23,299,124	\$4,083,172	\$1,941,148	\$21,973,145	\$45,272,269

Agency Description

The Department of Administration provides central services for state agencies in the following areas:

- Accounting and financial reporting
- Warrant writing
- Technical assistance and training to local government accounting and financial personnel
- Audit review and enforcement for local governments
- State bonded indebtedness administration
- State treasury services
- Capitol complex building maintenance and security
- Duplicating, mail and messenger services
- Procurement and surplus property administration
- Information systems development, telecommunications, data processing, and strategic planning
- Personnel management and labor relations
- State financial institution oversight and regulation
- Insurance coverage and Tort Claims Act administration
- Administration of the Long Range Building Program
- Administration of state employee group benefits

The Board of Examiners, the State Tax Appeal Board, Office of the Public Defender, the Public Employees' Retirement Board, the Teachers' Retirement Board, the Montana Lottery, and the Montana Consensus Council are attached to the department for administrative purposes only.

Agency Highlights

Department of Administration Major Budget Highlights	
<ul style="list-style-type: none"> ◆ Budget adjustments increase total funds by \$13.4 million for the two years of the biennium on top of a base of \$15.9 million ◆ Significant budget increases for general fund are for: <ul style="list-style-type: none"> • Statewide present law adjustments (\$5.2 million) • SABHRS licensing costs (\$0.8 million) • Workers' compensation cost containment (\$0.8 million) • 2009 biennium pay plan (\$0.4 million) • Supercomputer center study (\$0.3 million) ◆ Significant budget increases for state special revenue are for: <ul style="list-style-type: none"> • GIS funding switch (\$2.2 million) • Statewide present law adjustments (\$1.1 million) • Contracted services for expanded Long-range Building Program (\$0.7 million) • Licensing of mortgage lenders (\$0.5 million) • Professional career ladder for bank examiners (\$0.3 million) ◆ Significant budget increases for federal special revenue are for: <ul style="list-style-type: none"> • Geographic coordinate database (\$0.8 million) ◆ Personal services will increase by 11.90 FTE in HB 2 positions for: <ul style="list-style-type: none"> • Bank examiners in the Banking and Financial Division • Administrative support for Banking and Financial Division licensing support • Public safety communications program computer analysts • Computer information system manager and programmer 	

Summary of Legislative Action

The legislative budget for total funds is \$10.9 million more than the 2007 biennium and includes funding for HB 2 of the special session and HB 13 and HB 131 of the regular session. HB 13 funds the pay plan increases for the 2009 biennium and accounts for \$1.0 million of the total fund increase and \$402,800 of the general fund budget for the biennium. HB 131 funds increases in employer contribution to retirement systems and accounts for \$27,800 of the total fund increase. Significant items in the legislative budget are:

- Statewide present law adjustments (\$6.4 million)
- A funding switch to move administration of the Montana Land Information Act, including 3.00 FTE, from non-budgeted proprietary to HB 2 funding (\$2.2 million)
- Statewide pay plan (\$1.0 million)
- An increase of SABHRS licensing costs (\$800,000)
- Enhancements to a geographic coordinate database (\$800,000)
- A new program for containment of workers' compensation costs (\$767,000)
- Contracted services for an expanded Long-range Building Program (\$680,000)
- Workload impacts from licensing of mortgage lenders (\$474,000)
- Funding for a professional career ladder for bank examiners (\$312,500)
- A study of the feasibility for establishing a supercomputer center (\$275,000)

For the biennium 11.90 FTE were added to HB 2 funding, of which:

- 3.90 FTE were existing staff moved from non-budgeted proprietary funding to HB 2 funding
- 8.00 FTE were new staff added to:
 - Administer wireless enhanced 9-1-1 telephone program (1.00 FTE)
 - Address workload for licensing of mortgage lenders (3.00 FTE)

- Implement centralized management of workers' compensation costs (3.00 FTE)
- Provide administrative support for the State Tax Appeals Board (1.00 FTE)

Funding

The following table summarizes funding for the agency, by program and source, as adopted by the legislature. Funding for each program is discussed in detail in the individual program narratives that follow.

Total Agency Funding 2009 Biennium Budget						
Agency Program	General Fund	State Spec.	Fed Spec.	Proprietary	Grand Total	Total %
02 Governor Elect Program	\$ 50,000	\$ -	\$ -	\$ -	\$ 50,000	0.11%
03 Admin Financial Serv Division	4,365,683	3,174	174,626	99,289	4,642,772	10.26%
04 Architecture & Engineering Pgm	-	3,536,355	-	-	3,536,355	7.81%
06 General Services Program	5,106,205	193,706	-	-	5,299,911	11.71%
07 Information Tech Serv Division	1,772,541	2,797,753	800,000	-	5,370,294	11.86%
14 Banking And Financial Division	-	7,292,857	-	-	7,292,857	16.11%
15 Montana State Lottery	-	-	-	15,244,373	15,244,373	33.67%
21 Health Care & Benefits Division	767,369	99,866	-	-	867,235	1.92%
23 State Personnel Division	2,143,700	-	-	-	2,143,700	4.74%
37 State Tax Appeal Board	824,772	-	-	-	824,772	1.82%
Grand Total	\$ 15,030,270	\$ 13,923,711	\$ 974,626	\$ 15,343,662	\$ 45,272,269	100.00%

The agency is primarily funded with general fund, but state special revenue, federal special revenue, and budgeted proprietary funds support operations of several programs. In addition to budgeted proprietary funds, several programs are supported by non-budgeted proprietary funds that rely on legislatively approved fees and charges for generating revenues to support operations. The functions with the highest funding of state special revenue are the Architectural and Engineering Division's construction support function, the Banking and Financial Institution Division's bank examination and licensing functions, and the geographic information system coordination functions of the Information Technology Services Division

Other Legislation

Senate Bill 4 - SB 4 of the regular session created a new special revenue fund from volume spending rebates on certain procurement contracts and authorized the account to be used to administer the state procurement card programs. Funding for SB 4 was included in the executive budget and in HB 2. SB 4 impacts the General Services Division by eliminating two internal service proprietary funds for the state procurement card and fueling network programs and establishing HB 2 funding for the administration of the program including shifting funding for the existing 0.70 FTE and associated operating costs of the previous proprietary programs. See new proposal decision packages DP 602 and DP 606, which can be viewed in that division's narrative, for further discussion.

Senate Bill 62 - SB 62 of the regular session increased the daily rate paid to advisory board members from \$25 to \$50. SB 62 impacts councils of the department that give advice in the following areas: capitol complex, capital finance, risk management, electronic government, land information, public safety communications, and state employee group benefits. For all councils, SB 62 would add \$3,544 total funds (\$1,519 budgeted funds) to the biennium costs of the department. No increase over the executive budget was provided for the direct impacts of SB 62 and the costs will be absorbed in the agency's operating budget. SB 62 has become law.

Senate Bill 168 - SB 168 of the regular session requires that the payout for unused vacation leave owed to a terminating employee be deposited to a voluntary employees' beneficiary association (VEBA) trust account if the following two conditions are met: (1) the majority of the employees of an employer (state agency) or a specified group of employees vote to become VEBA members; and (2) the employer specifies that the payout for unused vacation leave must be deposited to the VEBA. Statute already requires that the payout for unused sick leave be deposited. A VEBA is a trust account that offers several investment options to participating members. The funds deposited in a VEBA may be used to pay qualified health care costs of plan participants and their dependents and beneficiaries, including health insurance premiums. Funds deposited to a VEBA are not subject to taxation by either the state or federal governments.

Senate Bill 321 - SB 321 of the regular session created a structure for licensing, supervising, and regulating of business and industry development corporations and assigned the regulatory oversight to the department. No funding was added to HB 2 to address the estimated \$2,205 biennium expenditure impacts to the department, but the number of licensed entities is expected to be low and will be administered with existing staff of the Banking and Financial Division.

House Bill 4 – HB 4 of the regular session extends two FY 2007 budget amendments for the Information Technology Services Division. One budget amendment for a federal grant to expand and enhance the Montana special data infrastructure was authorized to continue into federal FY 2008. The other for the purchase of technology equipment to enhance tribal and urban public safety answering points through the new 9-1-1 system is authorized to continue into FY 2009.

House Bill 4 – HB 4 of the special session funds capital projects and information technology capital projects. Capital projects include \$25.2 million funded from the long-range building program account in the capital projects fund type for projects such as:

- Code and deferred maintenance projects
- Statewide repair projects
- Statewide fire protection projects
- Enterprise systems services centers

Information technology initiatives funded with \$10.7 million long-range information technology program account in the capital projects fund type appropriated to the department include:

- Network upgrades
- University research network
- Public safety radio consortium
- Public safety radio interoperability

House Bill 13 - HB 13 funds the statewide employee pay plan for the 2009 biennium. HB 13 requires that state employees be placed on the broadband pay plan, provided an annual base salary increase, an additional longevity increase for employees who have completed 10 years of uninterrupted service, and employee health insurance employer contribution increases. HB 13 includes appropriations for the 2009 biennium costs of the pay plan. The HB 13 amounts are included in the tables of this report.

House Bill 27 – HB 27 of the regular session increased the 9-1-1 fee from \$0.50 per subscriber to \$1.00 per subscriber for use to establish the enhanced 9-1-1 emergency capacity for wireless telephone services. Funding was added to the budget of the Information Technology Services Division in new proposal DP 750 to add 1.00 FTE and associated operating costs to administer the program. For further discussion of the budget impacts, see the decision package description in that division's narrative.

House Bill 69 – HB 69 of the regular session revised laws for licensing and regulation of mortgage lenders. Funding was added to the budget of the Banking and Financial Division in new proposal DP 1403 to add 3.00 FTE and associated operating costs to administer the program. For further discussion of the budget impacts, see the decision package description in that division's narrative.

House Bill 131 - HB 131 increases the employer contribution rates for certain public employee retirement plans. HB 131 includes appropriations for the 2009 biennium costs of the contribution increases. The HB 131 amounts are included in the tables of this report.

Executive Budget Comparison

The following table compares the legislative budget in the 2009 biennium to the budget requested by the Governor, by type of expenditure and source of funding.

Executive Budget Comparison								
Budget Item	Base Budget Fiscal 2006	Executive Budget Fiscal 2008	Legislative Budget Fiscal 2008	Leg – Exec. Difference Fiscal 2008	Executive Budget Fiscal 2009	Legislative Budget Fiscal 2009	Leg – Exec. Difference Fiscal 2009	Biennium Difference Fiscal 08-09
FTE	149.72	161.62	160.62	(1.00)	162.62	161.62	(1.00)	
Personal Services	7,551,646	9,405,699	9,693,859	288,160	9,581,457	10,266,551	685,094	973,254
Operating Expenses	7,799,929	11,935,745	12,647,485	711,740	10,810,667	10,748,814	(61,853)	649,887
Equipment	42,256	257,256	42,256	(215,000)	57,256	42,256	(15,000)	(230,000)
Local Assistance	22,944	22,944	22,944	0	22,944	22,944	0	0
Grants	0	860,530	860,530	0	860,530	860,530	0	0
Transfers	500,000	8,534,000	0	(8,534,000)	7,150,000	0	(7,150,000)	(15,684,000)
Debt Service	32,050	32,050	32,050	0	32,050	32,050	0	0
Total Costs	\$15,948,825	\$31,048,224	\$23,299,124	(\$7,749,100)	\$28,514,904	\$21,973,145	(\$6,541,759)	(\$14,290,859)
General Fund	3,645,471	15,724,402	7,924,775	(7,799,627)	13,969,683	7,105,495	(6,864,188)	(14,663,815)
State/Other Special	4,210,892	6,798,481	6,804,721	6,240	6,910,924	7,118,990	208,066	214,306
Federal Special	147,422	887,293	887,293	0	87,333	87,333	0	0
Capital Projects	500,000	0	0	0	0	0	0	0
Proprietary	7,445,040	7,638,048	7,682,335	44,287	7,546,964	7,661,327	114,363	158,650
Total Funds	\$15,948,825	\$31,048,224	\$23,299,124	(\$7,749,100)	\$28,514,904	\$21,973,145	(\$6,541,759)	(\$14,290,859)

For the biennium, the legislative budget is \$14.3 million less in total funds than the executive budget, with general fund \$14.7 million less. The differences from the executive budget are due primarily to the following:

- The bill doesn't fund:
 - A transfer of general fund from the appropriated portion of the General Services Division to the Facilities and Maintenance Bureau to establish a base for deferred maintenance, but a transfer for this purpose has been included in SB 79 (\$14.3 million)
 - A one time transfer from the general fund to the Public Employee Retirement System to retire the loan taken to startup the defined contribution plan, as the transfer is duplicated in other legislation (\$1.4 million)
 - A new program for disposal of computer surplus property (\$299,900)
 - A new program to centralize funding of costs associated with procurement protests (\$100,000)
 - A maintenance agreement for an electronic benefits and policy module of the statewide accounting, budgeting, and human resources system (\$55,000)
- The executive withdrew a request to evaluate SABHRS in light of potential changes in the foundation database and vendor changes (\$270,000)
- The legislative budget funds the following items that were not in HB 2 as requested by the executive:
 - An increase in SABHRS licensing costs (\$800,000)
 - Statewide pay plan, for which appropriations are in HB 13 of the regular session but the amounts are reflected in the tables of this report (\$1.0 million)
 - Statewide employer contribution increase to retirement systems, for which appropriations are in HB 131 of the regular session but the amounts are reflected in the tables of this report (\$27,800)

The legislative budget includes rates for fees and charges of internal service proprietary funds. The following changes were made to the rates proposed in the executive budget:

- Rates for the maximum allocation of costs to operate the Management Services Unit of the Administration and Financial Services Division and a per FTE served rate for the human resources portion are included, as opposed to the 60-day working capital rate requested in the executive budget

- Specific rates for services provided by the Print and Mail Services Bureau of the General Services Program are included, as opposed to the 60-day working capital rate requested in the executive budget. The rates in this bill include a 6.0 percent increase over the published rates of the bureau
- Markup rates of 25 percent on products sold through the Central Stores Program are included, as opposed to a 60-day working capital rate proposed in the executive budget
- Rates for the Professional Development Center of the State Personnel Division for the cost of courses of specific duration are included, as opposed to an intermediate rate for determining the final course rate as proposed in the executive budget

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Personal Services	0	0	0	0	0	0	0	0
Operating Expenses	0	0	0	0	50,000	0	50,000	50,000
Total Costs	\$0	\$0	\$0	\$0	\$50,000	\$0	\$50,000	\$50,000
General Fund	0	0	0	0	50,000	0	50,000	50,000
State/Other Special	0	0	0	0	0	0	0	0
Total Funds	\$0	\$0	\$0	\$0	\$50,000	\$0	\$50,000	\$50,000

Program Description

The Governor Elect Program pays start-up costs for the incoming Governor, as required by 2-15-221, MCA.

Program Highlights

<p align="center">Department of Administration Governor-Elect Program Major Budget Highlights</p>
<p align="center">◆ \$50,000 general fund only in FY 2009</p>

Funding

The Governor Elect Program is fully funded with general fund.

Present Law Adjustments

The “Present Law Adjustments” table shows the primary changes to the adjusted base budget approved by the legislature. “Statewide Present Law” adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
	Fiscal 2008					Fiscal 2009				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 201 - Governor-elect appropriation	0.00	0	0	0	0	0.00	50,000	0	0	50,000
Total Other Present Law Adjustments	0.00	\$0	\$0	\$0	\$0	0.00	\$50,000	\$0	\$0	\$50,000
Grand Total All Present Law Adjustments					\$0					\$50,000

DP 201 - Governor-elect appropriation - The legislative budget includes \$50,000 general fund in FY 2009 for startup costs of a Governor-elect and staff from the general election to inauguration in the event a new Governor is elected in the 2008 general election.

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	23.84	0.25	0.00	24.09	0.25	0.00	24.09	24.09
Personal Services	1,177,233	279,596	45,827	1,502,656	282,520	105,553	1,565,306	3,067,962
Operating Expenses	330,751	57,372	800,000	1,188,123	11,670	0	342,421	1,530,544
Local Assistance	22,133	0	0	22,133	0	0	22,133	44,266
Grants	0	0	0	0	0	0	0	0
Transfers	0	0	0	0	0	0	0	0
Total Costs	\$1,530,117	\$336,968	\$845,827	\$2,712,912	\$294,190	\$105,553	\$1,929,860	\$4,642,772
General Fund	1,442,270	286,315	845,827	2,574,412	243,448	105,553	1,791,271	4,365,683
State/Other Special	793	794	0	1,587	794	0	1,587	3,174
Federal Special	42,058	45,235	0	87,293	45,275	0	87,333	174,626
Proprietary	44,996	4,624	0	49,620	4,673	0	49,669	99,289
Total Funds	\$1,530,117	\$336,968	\$845,827	\$2,712,912	\$294,190	\$105,553	\$1,929,860	\$4,642,772

Program Description

The Administrative Financial Services Division consists of several units. The Director's Office is responsible for overall supervision and coordination of agency programs and administratively attached boards and agencies. The Legal Unit provides legal services to agency and administratively attached programs. The Accounting Bureau is the process owner of the financial portion of the Statewide Budgeting, Accounting and Human Resource Systems (SABHRS), establishes state accounting policies and procedures, administers the federal Cash Management Improvement Act, processes warrants for all state agencies, and prepares the state Comprehensive Annual Financial Report (CAFR). The Management Support Bureau and personnel function provide financial, budgeting, accounting, personnel, and payroll functions for the department. The Labor Relations Office assists agencies in collective bargaining and labor relations. Local Government Services Bureau provides technical assistance and training to local government accounting and financial personnel and defines, reviews, and enforces auditing requirements for Montana's local governments. The SABHRS Services Bureau provides the programming and support for the financial, human resource and budgeting system for the State.

Program Highlights

Department of Administration Administrative Financial Services Division Major Budget Highlights	
♦	Budget adjustments increase total funds by \$1.6 million primarily for: <ul style="list-style-type: none"> • SABHRS licensing costs (\$800,000) • Statewide present law adjustments (\$595,200) • Statewide pay plan adjustments (\$148,100)

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table						
Admin Financial Serv Div						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
01000 Total General Fund	\$ 1,442,270	94.3%	\$ 2,574,412	94.9%	\$ 1,791,271	92.8%
01100 General Fund	1,442,270	94.3%	2,574,412	94.9%	1,791,271	92.8%
02000 Total State Special Funds	793	0.1%	1,587	0.1%	1,587	0.1%
02317 Financial Advisor Fees	793	0.1%	1,587	0.1%	1,587	0.1%
03000 Total Federal Special Funds	42,058	2.7%	87,293	3.2%	87,333	4.5%
03320 Cmia Funds	18,996	1.2%	63,302	2.3%	63,342	3.3%
03369 Flood Control Payments	22,133	1.4%	22,133	0.8%	22,133	1.1%
03978 Federal Portion Of State Divid	929	0.1%	1,858	0.1%	1,858	0.1%
06000 Total Proprietary Funds	44,996	2.9%	49,620	1.8%	49,669	2.6%
06527 Investment Division	44,996	2.9%	49,620	1.8%	49,669	2.6%
Grand Total	\$ 1,530,117	100.0%	\$ 2,712,912	100.0%	\$ 1,929,860	100.0%

The Administrative Financial Services Division is funded with general fund, state and federal special revenues, and proprietary funds. General fund provides funding for the statewide accounting standards, treasury, labor relations, and accounting assistance for local government, and for agency management in support of other programs of the agency funded with general fund. State special revenue provides funding from financial advisor fees. Federal special revenue provides funding for activities associated with the federal Cash Management Improvement Act funds, flood control payments, and the federal portion of State Fund dividends. The division is also funded with a direct appropriation from the Board of Investments proprietary fund for services the Treasury Unit provides to the board.

Most operations of the division are funded with non-budgeted proprietary funds, which are discussed in the "Proprietary Rates" section of the narrative.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2008-----						-----Fiscal 2009-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				317,994					321,019	
Vacancy Savings				(59,809)					(59,931)	
Inflation/Deflation				2,179					2,511	
Fixed Costs				54,288					16,935	
Total Statewide Present Law Adjustments				\$314,652					\$280,534	
DP 302 - Burial Board										
0.00	9,000	0	0	9,000	0.00	9,000	0	0	9,000	
DP 303 - Labor Relations 0.25 FTE attorney and rent										
0.25	(4,343)	0	0	(4,343)	0.25	(4,322)	0	0	(4,322)	
DP 305 - Presidential Electors Travel										
0.00	0	0	0	0	0.00	1,000	0	0	1,000	
DP 307 - Laptop Computer Replacement (OTO)										
0.00	10,000	0	0	10,000	0.00	0	0	0	0	
DP 311 - Allocate department indirect/administrative costs										
0.00	7,790	0	0	7,790	0.00	8,112	0	0	8,112	
DP 6015 - State Motor Pool Rate Change										
0.00	(131)	0	0	(131)	0.00	(134)	0	0	(134)	
Total Other Present Law Adjustments										
0.25	\$22,316	\$0	\$0	\$22,316	0.25	\$13,656	\$0	\$0	\$13,656	
Grand Total All Present Law Adjustments				\$336,968					\$294,190	

DP 302 - Burial Board - The legislative budget includes an increase of \$18,000 general fund to fund meetings for the burial board to carry out the functions of the Human Skeletal Remains and Burial Site Protection Act and the Repatriation of Human Remains and Funerary Objects Act.

DP 303 - Labor Relations 0.25 FTE attorney and rent - The legislative budget includes a net reduction of nearly \$8,700 general fund to move 0.25 FTE attorney from the Personnel Division to the Office of Labor Relations in the Director's Office and to adjust rent in anticipation of lower rent costs than in the base.

DP 305 - Presidential Electors Travel - The legislative budget includes an increase of \$1,000 general fund in FY 2009 to pay presidential electors and reimburse their travel costs to Helena for a meeting required in state law to vote for a president and vice president of the United States in December 2008.

DP 307 - Laptop Computer Replacement (OTO) - The legislative budget includes an increase of \$10,000 general fund to fund the replacement of five laptop computers used during accounting and financial reporting assistance at local governments. The funding is designated as one time only.

DP 311 - Allocate department indirect/administrative costs - The legislative budget includes an increase of about \$15,900 general fund to fund increases in indirect cost payments for services received from proprietary funded centralized service functions of the agency.

DP 6015 - State Motor Pool Rate Change - The funding for vehicle rentals and leases from the State Motor Pool was reduced from the level requested by the Governor.

New Proposals

New Proposals										
-----Fiscal 2008-----						-----Fiscal 2009-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 312 - SABHRS Licensing Costs (OTO)										
03	0.00	800,000	0	0	800,000	0.00	0	0	0	0
DP 313 - Agency Goals and Objectives Reporting										
03	0.00	0	0	0	0	0.00	0	0	0	0
DP 6013 - 2009 Biennium Pay Plan - HB 13										
03	0.00	44,240	0	0	44,240	0.00	103,873	0	0	103,873
DP 6014 - Retirement Employer Contributions - HB 131										
03	0.00	1,587	0	0	1,587	0.00	1,680	0	0	1,680
Total	0.00	\$845,827	\$0	\$0	\$845,827*	0.00	\$105,553	\$0	\$0	\$105,553*

DP 312 - SABHRS Licensing Costs (OTO) - The legislative budget includes an increase of \$800,000 general fund in FY 2008 to pay for increased licensing costs for SABHRS. The funding is designated as one time only. Funding to replace this adjustment will be captured in rates in the next biennium.

DP 313 - Agency Goals and Objectives Reporting - The legislative budget included an increase of \$5,000 general fund to provide reporting to the Legislative Finance Committee on progress toward attainment of agency goals and objectives. The Governor subsequently vetoed the funding and the associated language that required and defined the reporting requirements.

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement Employer Contributions - HB 131 - The legislature adopted HB 131, which increases the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund the increased contribution. Appropriations were included in the bill and not added to HB 2.

Language

The legislative budget included the following language for the Administrative and Financial Services Division, but the Governor subsequently vetoed the language and associated line-item appropriation:

"Agency's Goals and Objectives Reporting provides funding for a report to the legislative finance committee relevant to goals and objective presented to the appropriations subcommittee on general government and transportation of the 2007 legislature in the agency's and programs' templates and the decision package narratives presented in the legislative budget analysis 2009 biennium for present law decision package 1503 and new proposal decision package 2204. The report must address the following:

- (1) progress toward the goals; and
- (2) attainment of measurable objectives.

If the report is not received by June 30, 2008, \$2,500 of general fund money in fiscal year 2009 for Agency's Goals and Objectives Reporting is void."

Proprietary Rates**Proprietary Program Description**

The Administrative Financial Services Division provides the following functions funded with proprietary funds. These programs are described below along with a discussion of program revenues, expenses, and rates to finance the programs:

- Statewide Accounting, Budgeting, and Human Resources Program
- Management Services Unit
- Warrant Writer Program
- Single Audit Review Program

Statewide Accounting, Budgeting, and Human Resources Program (Fund 06511)**Proprietary Program Description**

The Statewide Accounting, Budgeting and Human Resource (SABHRS) Services Bureau is responsible for operational support and maintenance for the statewide finance, human resource, and budget development information systems. The system is used to administer all state financial and accounting functions and is the repository for all state accounting transactions and operating budgets. The system is also used to administer state human resources transactions and is the repository for state agency position and employee data including benefits, performance, training administration, time entry, and payroll. The bureau also administers the Montana Budget, Analysis, and Reporting System (MBARS) that is used to develop the state budget.

Proprietary Revenues and Expenses

In FY 2006, the bureau was still a part of the Information Technology Services Division but revenues for its support were roughly \$6.2 million from SABHRS administrative fees paid by state agencies. State agencies budget for payment of these fees as a fixed cost within statewide present law adjustments.

These revenues were received from the following funding sources in the percentages and approximate amounts listed:

- General fund (27.0 percent), \$1.7 million
- State special revenue (21.5 percent), \$1.3 million
- Federal special revenue (29.2 percent), \$1.8 million
- Proprietary funds (15.7 percent), \$1.0 million
- All other funds (6.5 percent), \$0.4 million

Revenues finance expenses that include personal services of \$2.3 million for 35.00 FTE, or 37 percent of total costs, and operating expenses of \$4.1 million, or 63 percent of costs. Mid-tier processing fees paid to use the state information technology network are the single biggest expense and would account for \$2.6 million or 39.7 percent of total costs in the 2009 biennium.

Proprietary Rate Explanation

The rate for SABHRS costs is based on predicted expenditures. The predicted costs are allocated to agencies based on the following weighted usage of the system and are included in agency budgets as part of the fixed cost statewide present law adjustment:

- FTE count - 42.25 percent
- Journal lines - 45.43 percent
- Number of agency budget decision packages and Executive Planning Process requests - 12.32 percent

For the 2009 biennium, the following rates were approved. The rates are also listed in Section R of HB 2, and are the total costs to be allocated to and collected from agencies:

- FY 2008 - \$6,774,746
- FY 2009 - \$6,616,145

Implied with approval of the rates are the following funding changes:

- Increases of about \$274,000 for statewide present law adjustments
- Increases of \$12.4 million to move the program from the Information Technology Service Division to the Administrative and Financial Services Division of the agency, with a corresponding reduction in the Information Technology Services Division
- Increases of \$169,000 for an allocation of indirect cost payments for services received from proprietary funded centralized service functions of the agency

Management Services Unit (Fund 06534)**Proprietary Program Description**

The Management Services Unit consists of the Director's Office, the Management Support Unit, the Human Resource Unit, and the Legal Unit with a total of 11.83 FTE. The Management Services Unit coordinates preparation of the department's biennial budget for submission to the Office of Budget and Program Planning (OBPP) and presentation to the legislature, processes budget change documents on approved budgets through the OBPP, monitors approved budgets for compliance with state law and legislative intent, provides accounting assistance to divisions within the department, processes payroll and provides new employee orientation for all divisions within the department, including attached-to agencies, assists with recruitment and selection, classifies positions and develops personnel policies and procedures. The legal unit advises all divisions within the department on legal matters. The legal unit receives the majority of its funding through the management services unit internal service fund by charging the non-general fund divisions for services provided.

Proprietary Revenues and Expenses

In FY 2006, the unit had revenues of roughly \$867,000 from fees paid by divisions served.

These revenues were received from the following funding sources in the percentages and approximate amounts listed:

- General fund (5.7 percent), \$49,500
- State special revenue (10.7 percent), \$93,100
- Proprietary funds (77.4 percent), \$671,7000
- Trust funds (6.1 percent), \$52,800

Expenses consist of personal services and operating expenses. In FY 2006 personal services of \$663,700 accounted for 84 percent of total expenses and funded 11.83 FTE. The Management Services Unit bills users monthly, which requires the program to operate with around 45 days of working capital. Working capital is factored into the rate after expenditures are calculated. If working capital is too high, the rates that generate the revenue are reduced. No fund balance is required to be reserved for this program.

Proprietary Rate Explanation

For the 2009 biennium, the following rates for the Management Services Unit were approved. The rates are also listed in Section R of HB 2:

- All functions except for the human resources function, maximum allocation of expenses of \$987,261 in FY 2008 and \$996,441 in FY 2009
- For the human resources function a rate per FTE in the supported programs of \$417 in FY 2008 and \$429 in FY 2009

Implied with approval of the rates are the following funding changes:

- Increases of nearly \$211,500 for statewide present law adjustments
- Reductions of \$1,115 to adjust allocations for indirect cost payments for services received from proprietary funded centralized service functions of the agency

Warrant Writer Program (Fund 06564)**Proprietary Program Description**

The department provides the services of the Warrant Writer Program to state agencies for check writing and automatic-deposit capabilities for financial transactions. The program produces and processes warrants and tracks them on the warrant writer system. The program generates, mails, tracks, and cashes each warrant. The services the program offers include direct deposit, warrant consolidation, stopping of payments, warrant cancellations, emergency warrants, duplicate warrants, warrant certification, warrant research, payee file data, and federal 1099-MISC processing. Because the service is mandated in statute, no alternative exists for agencies that need checks processed and funds transferred to vendors electronically if they use the state accounting system.

Proprietary Revenues and Expenses

In FY 2006, the Warrant Writer Program had revenues of roughly \$801,400 from fees paid by agencies statewide.

These revenues were received from the following funding sources in the percentages and approximate amounts listed:

- General fund (27.1 percent), \$217,000
- State special revenue (15.9 percent), \$127,800
- Federal special revenue (20.1 percent), \$161,100
- Proprietary funds (17.3 percent), \$138,300
- All other funds (19.6 percent), \$157,200

Billing for warrants is done monthly and is based on actual warrants issued. Turnaround time for payment is around 45 days. Working capital is factored into the rate after expenditures are calculated. If working capital is too high, the rates charged to agencies are reduced in order to reduce revenues.

In FY 2006, revenues funded personal services for 6.33 FTE and operating costs. Personal services of roughly \$206,700 accounted for about 24 percent of expenses, with operating costs making up the majority of costs at roughly \$666,700 or nearly 76 percent of unit expenses. Major operating costs are for postage and mailing (\$451,300 or 47 percent of program costs), and warrant printing and bank service fees (combined are \$115,000 or 12 percent of costs).

The fund report for fund 06564 anticipates operating revenues from rates and other charges would be less than the anticipated operating expenses through the 2007 biennium, resulting in operating losses totaling \$166,200 for the 2007 biennium. These losses would deplete fund balance to negative \$21,700 at the end of FY 2007.

Demand for each warrant category is made by comparing two biennia of actual activity to project usage for the upcoming biennium. Mailer warrants factor in warrant stock cost, postage, and printing. Non-mailer warrants factor in warrant stock cost and printing. Both type of warrants pay for the required reconciliation between SABHRS accounts payable module and the state bank account. Direct deposits pay a \$0.05 charge for bank processing. Duplicate and emergency warrants pay for personnel time to process each individual request. All categories share in general operating expenses of the program.

Proprietary Rate Explanation

The rates for the Warrant Writer Program are shown in Section R of HB 2.

Implied with approval of the rates are the following funding changes:

- Increases of nearly \$144,300 for statewide present law adjustments
- Reductions of about \$6,400 to adjust allocations for indirect cost payments for services received from proprietary funded centralized service functions of the agency

Single Audit Review Program (Fund 06042)**Proprietary Program Description**

The Audit Review program is responsible for administering the provisions of the Montana Single Audit Act (MSAA), which specifies the audit requirements for all Montana local government entities (2-7-5, MCA). The program performs the following services:

- Mails out to and receives annual financial reports from approximately 900 local governments
- Enters selected financial data from the reports into a database
- Obtains and enters into the database information regarding school district revenues
- Determines which local government entities are subject to audit under the act and notifies them of the audit requirements
- Accepts applications from and maintains a roster of independent auditors authorized to conduct local government audits
- Prepares and keeps current a legal compliance supplement for use by independent auditors in conducting local government audits

- Receives and approves audit contracts for local government audits
- Verifies that all local governments required to have audits do so
- Receives and reviews local government audit reports to determine whether the audits have been conducted in accordance with required standards
- Notifies state agencies of audit findings related to financial assistance programs that they administer
- Receives and reviews each local government's response to the audit report findings and determines whether the entity has developed a satisfactory plan to correct deficiencies noted in the audit report
- Maintains copies of all local government entity audit reports and the local governments responses to audit findings, and makes those reports and responses available upon request to state and federal agencies and the public
- Provides technical advice on accounting, auditing, and legal compliance matters to local governments and certified public accountants conducting local government audits
- Investigates or refers to auditors for follow-up action complaints or allegations received from the public, either directly or through the Legislative Auditor's hotline
- Provides information regarding local government audits, audit findings, entity responses to findings, and legal compliance and accounting requirements to the public
- Requests for special audits and arranges for such audits if determined to be necessary

Proprietary Revenues and Expenses

The Audit Review Program receives revenues from two fees:

- The report filing fee, required by 2-7-514, MCA, is based upon costs incurred by the department for administering the Audit Review Program. All local government entities that are required to submit audits pay the filing fee.
- A roster fee is collected from certified public accountants for inclusion on a roster of independent auditors who are authorized to audit local government entities in Montana.

The program incurs operating expenses for personal services and operating costs. In FY 2006 personal services were about \$215,000 or 72.4 percent of total operating costs. Operating expenses of about \$82,000 made up the remaining 28.6 percent of total expenses. The fee revenues support a staff of 4.00 FTE.

Proprietary Rate Explanation

The Audit Review Program is funded with two fees: 1) audit report filing fee; and 2) annual auditor roster fee. The program also received reimbursement from audited entities for costs to contract for special audits as requested. It is the intent of the program to maintain fees sufficient to pay program costs at current level staffing. Because the Single Audit Review Program is funded with an enterprise type proprietary fund, the legislature does not approve the fees for the program. Instead, fees are established in administrative rule. The Single Audit Review program does not receive any direct appropriations. Funding is derived entirely from the fees described below, except for occasional fee reimbursements for special audits or reviews.

Audit Report Filing Fee

The audit report filing fee is required by 2-7-514, MCA. The fee schedule has been adopted as ARM 2.4.402 and shown on the fund report. The program anticipates initiating administrative rule changes to increase the fees for the 2009 biennium, as shown on the fund report.

Annual Auditor Roster Fee

The annual auditor roster fee is provided for by 2-7-506, MCA. The annual auditor roster fee has been adopted as ARM 2.4.406. The current fee in the rule is \$50 per year. The program anticipates initiating administrative rule changes to increase the fee to \$100 for the 2009 biennium.

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	17.00	0.00	0.00	17.00	0.00	0.00	17.00	17.00
Personal Services	915,948	117,241	38,458	1,071,647	122,253	82,933	1,121,134	2,192,781
Operating Expenses	267,022	63,024	340,000	670,046	66,506	340,000	673,528	1,343,574
Transfers	0	0	0	0	0	0	0	0
Total Costs	\$1,182,970	\$180,265	\$378,458	\$1,741,693	\$188,759	\$422,933	\$1,794,662	\$3,536,355
General Fund	0	0	0	0	0	0	0	0
State/Other Special	1,182,970	180,265	378,458	1,741,693	188,759	422,933	1,794,662	3,536,355
Total Funds	\$1,182,970	\$180,265	\$378,458	\$1,741,693	\$188,759	\$422,933	\$1,794,662	\$3,536,355

Program Description

The Architecture & Engineering Program manages remodeling and construction of state buildings. Its functions include planning new projects and remodeling projects; advertising, bidding, and awarding construction contracts; administering contracts with architects, engineers, and contractors; disbursing building construction payments; and providing design services for small projects. The program also formulates a long-range building plan for legislative consideration each session. In addition, the division is developing and implementing a condition and needs assessment of K-12 public school facilities.

Program Highlights

Department of Administration Architecture and Engineering Major Budget Highlights	
♦	Budget adjustments increase total funds by \$1.2 million primarily for: <ul style="list-style-type: none"> Contracted services to support an expanded Long-range Building Program (\$680,000) Statewide present law adjustments (\$360,600) Statewide pay plan adjustments (\$119,000)

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table Architecture & Engineeri						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
02000 Total State Special Funds	1,182,970	100.0%	1,741,693	100.0%	1,794,662	100.0%
02030 Arch & Engin Construction	1,182,970	100.0%	1,741,693	100.0%	1,794,662	100.0%
Grand Total	\$ 1,182,970	100.0%	\$ 1,741,693	100.0%	\$ 1,794,662	100.0%

The Architecture & Engineering Program is funded with funds transferred from the long-range building capital projects fund to a state special revenue account established for administrative expenses.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2008-----						-----Fiscal 2009-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					160,290					165,513
Vacancy Savings					(43,049)					(43,260)
Inflation/Deflation					4,968					5,359
Fixed Costs					53,975					56,822
Total Statewide Present Law Adjustments					\$176,184					\$184,434
DP 311 - Allocate department indirect/administrative costs	0.00	0	4,466	0	4,466	0.00	0	4,720	0	4,720
DP 6015 - State Motor Pool Rate Change	0.00	0	(385)	0	(385)	0.00	0	(395)	0	(395)
Total Other Present Law Adjustments	0.00	\$0	\$4,081	\$0	\$4,081	0.00	\$0	\$4,325	\$0	\$4,325
Grand Total All Present Law Adjustments					\$180,265					\$188,759

DP 311 - Allocate department indirect/administrative costs - The legislative budget includes an increase of about \$9,200 state special revenue to fund increases in indirect cost payments for services received from proprietary funded centralized service functions of the agency.

DP 6015 - State Motor Pool Rate Change - The funding for vehicle rentals and leases from the State Motor Pool was reduced from the level requested by the Governor.

New Proposals

New Proposals										
-----Fiscal 2008-----						-----Fiscal 2009-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 312 - Contracted Services Expanded Long Range Building										
04	0.00	0	340,000	0	340,000	0.00	0	340,000	0	340,000
DP 6013 - 2009 Biennium Pay Plan - HB 13										
04	0.00	0	37,280	0	37,280	0.00	0	81,712	0	81,712
DP 6014 - Retirement Employer Contributions - HB 131										
04	0.00	0	1,178	0	1,178	0.00	0	1,221	0	1,221
Total	0.00	\$0	\$378,458	\$0	\$378,458*	0.00	\$0	\$422,933	\$0	\$422,933*

DP 312 - Contracted Services Expanded Long Range Building - The legislative budget includes an increase of \$680,000 state special revenue to fund contracted services for project management in the areas of planning, design, and construction. The increase would address workload issues in the Long-range Building Program (LRBP) caused by growth since the 2005 biennium.

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement Employer Contributions - HB 131 - The legislature adopted HB 131, which increases the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund the increased contribution. Appropriations were included in the bill and not added to HB 2.

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	10.35	0.00	0.90	11.25	0.00	0.90	11.25	11.25
Personal Services	493,727	45,358	75,927	615,012	48,825	103,823	646,375	1,261,387
Operating Expenses	104,180	1,778,739	58,351	1,941,270	1,870,492	58,482	2,033,154	3,974,424
Equipment	0	0	0	0	0	0	0	0
Transfers	500,000	(500,000)	0	0	(500,000)	0	0	0
Debt Service	32,050	0	0	32,050	0	0	32,050	64,100
Total Costs	\$1,129,957	\$1,324,097	\$134,278	\$2,588,332	\$1,419,317	\$162,305	\$2,711,579	\$5,299,911
General Fund	629,957	1,824,097	37,506	2,491,560	1,919,317	65,371	2,614,645	5,106,205
State/Other Special	0	0	96,772	96,772	0	96,934	96,934	193,706
Federal Special	0	0	0	0	0	0	0	0
Capital Projects	500,000	(500,000)	0	0	(500,000)	0	0	0
Proprietary	0	0	0	0	0	0	0	0
Total Funds	\$1,129,957	\$1,324,097	\$134,278	\$2,588,332	\$1,419,317	\$162,305	\$2,711,579	\$5,299,911

Program Description

The General Services Division is composed of four bureaus responsible for providing certain internal services to government agencies and the public.

The Facilities Management Bureau manages the following services for state agencies in the capitol complex and several state-owned buildings in the Helena area either directly or through the administration of service contracts: repair, maintenance, construction, energy consumption, disaster response and recovery, space allocation, lease negotiation, security, janitorial, recycling, pest control, grounds maintenance, and garbage collection.

The State Procurement Bureau procures or supervises the procurement of all supplies and services, and provides technical assistance to government agencies and the public to ensure compliance with the Montana Procurement Act. The bureau also manages the state's vehicle fueling, energy procurement, and procurement card programs.

The Print and Mail Services Bureau provides print and mail services to state agencies at a central facility. Services include internal printing including three quick copy centers, external (contracted) printing, photocopy pool, mail preparation, central mail operations, inter-agency (deadhead) mail, and the United States post office in the Capitol Building.

The Property and Supply Bureau manages the central stores program and the state and federal surplus property programs.

Program Highlights

Department of Administration General Services Program Major Budget Highlights	
♦	<p>Budget adjustments increase total funds by \$3.0 million primarily for:</p> <ul style="list-style-type: none"> Statewide present law adjustments (\$3.7 million) A funding switch for existing 0.7 FTE from proprietary to HB 2 funding to administer procurement volume rebates (\$193,700) Statewide pay plan adjustments (\$84,400) Elimination of capital land grant funding (\$1.0 million reduction)

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table General Services Program						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
01000 Total General Fund	\$ 629,957	55.8%	\$ 2,491,560	96.3%	\$ 2,614,645	96.4%
01100 General Fund	629,957	55.8%	2,491,560	96.3%	2,614,645	96.4%
02000 Total State Special Funds	-	-	96,772	3.7%	96,934	3.6%
02211 Procurement Special Revenue	-	-	96,772	3.7%	96,934	3.6%
05000 Total	500,000	44.2%	-	-	-	-
05008 Capitol Building Sr	500,000	44.2%	-	-	-	-
Grand Total	\$ 1,129,957	100.0%	\$ 2,588,332	100.0%	\$ 2,711,579	100.0%

Base year funding for the General Services Division includes general fund, capitol land grant trust fund, and proprietary funds. General fund provides funding for the Procurement Bureau and about \$32,000 for facilities maintenance. Capitol land grant trust funds facilities maintenance functions for common areas of the Capitol Building, office space for the Senate and House of Representatives, Governor's mansion, public display areas in the Historical Society Museum, and some office space in the museum building. For the 2009 biennium, general fund replaces capitol land grant trust funds and funds maintenance of common areas.

The following programs are funded with proprietary funds and are not shown on the main budget tables but are discussed in the proprietary rates section for the division:

- Print and Mail services
- Central stores
- Facilities management
- Surplus property

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
-----Fiscal 2008-----					-----Fiscal 2009-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				67,821					71,431
Vacancy Savings				(22,463)					(22,606)
Inflation/Deflation				231					259
Fixed Costs				1,775,464					1,867,041
Total Statewide Present Law Adjustments				\$1,821,053					\$1,916,125
DP 311 - Allocate department indirect/administrative costs	0.00	3,047	0	3,047	0.00	3,195	0	0	3,195
DP 620 - Eliminate Capital Land Grant Funding	0.00	0	0	(500,000)*	0.00	0	0	0	(500,000)*
DP 6015 - State Motor Pool Rate Change	0.00	(3)	0	(3)	0.00	(3)	0	0	(3)
Total Other Present Law Adjustments	0.00	\$3,044	\$0	(\$496,956)*	0.00	\$3,192	\$0	\$0	(\$496,808)*
Grand Total All Present Law Adjustments				\$1,324,097*					\$1,419,317*

DP 311 - Allocate department indirect/administrative costs - The legislative budget includes an increase of about \$6,200 general fund to fund increases in indirect cost payments for services received from proprietary funded centralized service functions of the agency.

DP 620 - Eliminate Capital Land Grant Funding - The legislative budget includes a reduction of \$1.0 million capital projects funds to eliminate funding from the Capitol land grant account for major maintenance projects of the Facilities Maintenance Bureau.

DP 6015 - State Motor Pool Rate Change - The funding for vehicle rentals and leases from the State Motor Pool was reduced from the level requested by the Governor.

New Proposals

New Proposals										
-----Fiscal 2008-----						-----Fiscal 2009-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 602 - Funding Switch for 0.10 FTE in the Procard Program										
06	0.10	0	16,079	0	16,079	0.10	0	16,091	0	16,091
DP 604 - Funding Switch for 0.20 FTE in the Procurement Bur										
06	0.20	8,634	0	0	8,634	0.20	8,642	0	0	8,642
DP 606 - Funding Switch for 0.60 FTE in the Fueling Program										
06	0.60	0	50,715	0	50,715	0.60	0	50,834	0	50,834
DP 625 - Senate Bill No. 4										
06	0.00	0	29,978	0	29,978	0.00	0	30,009	0	30,009
DP 6013 - 2009 Biennium Pay Plan - HB 13										
06	0.00	28,268	0	0	28,268	0.00	56,088	0	0	56,088
DP 6014 - Retirement Employer Contributions - HB 131										
06	0.00	604	0	0	604	0.00	641	0	0	641
Total	0.90	\$37,506	\$96,772	\$0	\$134,278*	0.90	\$65,371	\$96,934	\$0	\$162,305*

DP 602 - Funding Switch for 0.10 FTE in the Procard Program - The legislative budget includes an increase of \$32,200 state special revenue to move 0.10 FTE existing staff from the proprietary funded State Procurement Card Program to appropriated funding. The funding switch is due to provisions under a new contract awarded for state procurement card purchases in which a fee will no longer be assessed but a volume rebate will be paid to the state for purchase made by the procurement card program. The volume rebate will be deposited into a state special revenue account to fund the FTE to administer the program for the state.

DP 604 - Funding Switch for 0.20 FTE in the Procurement Bur - The legislative budget includes an increase of \$17,300 general fund to implement a funding switch for 0.20 FTE of an existing position following a reorganization that changed the position's duties from a deputy administrator of the division to a contracts officer. Under the revised duties, the position fully supports state procurement activities and no longer supports other proprietary funded programs of the division.

DP 606 - Funding Switch for 0.60 FTE in the Fueling Program - The legislative budget includes an increase of \$101,500 state special revenue to move 0.60 FTE existing staff from the proprietary funded State Fueling Program to appropriated funding. The funding switch is due to provisions under a new contract awarded for state procurement card purchases of fuel for state-owned vehicles in which a fee will no longer be assessed but a volume rebate will be paid to the state for purchase made by the procurement card program. The volume rebate will be deposited into a state special revenue account to fund the FTE to administer the program for the state.

DP 625 - Senate Bill No. 4 - The legislative budget includes an increase of nearly \$60,000 state special revenue to address the impacts of SB 4 that regulates procurement rebates. Contingency language was included in HB 2 of the special session to void the funding if SB 4 of the regular session is not passed and approved. SB 4 has become law, so the funding is valid.

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement Employer Contributions - HB 131 - The legislature adopted HB 131, which increases the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund the increased contribution. Appropriations were included in the bill and not added to HB 2.

Proprietary Rates

Proprietary Program Description

The General Services Division provides the following functions funded with proprietary fund. These programs are described below along with a discussion of the program revenues, expenses, and rates to finance the programs:

- Facilities Management
- Print and Mail Services
- Central Stores
- Surplus Property

Facilities Management Bureau (Fund 06528)

Proprietary Program Description

Facilities Management Bureau is the custodian of state property and grounds in the state capitol area. The bureau provides facilities management assistance, including repair, maintenance, and construction services to state agencies in the Helena area and provides statewide leasing assistance to agencies to negotiate co-location of agencies to procure leased space for field offices. The bureau also manages the office waste paper products recycling program in the Helena area. The program serves all agencies and units within state government.

Proprietary Revenues and Expenses

In FY 2006, the Facilities Management Bureau had revenues of roughly \$6.9 million from rent, grounds maintenance, and handyman charges payments paid by tenant agencies. These payments made up 90.8 percent of revenues for the bureau. Revenue collected from Capitol Land Grant transfer added 6.6 percent, construction cost recovery adds about 2.5 percent to revenues, and recycling revenue provides the remaining 0.1 percent.

These rent, grounds maintenance, and handyman charges were received from the following funding sources in the percentages and approximate amounts listed:

- General fund (41.3 percent), \$2.8 million
- State special revenue (17.9 percent), \$1.2 million
- Federal special revenue (17.4 percent), \$1.2 million
- Proprietary funds (22.5 percent), \$1.5 million
- All other funds (0.9 percent), \$59,000

In FY 2006, revenues funded personal services for 30.16 FTE (24.1 FTE for facilities and 6.06 FTE for grounds) and operating costs. Personal services of roughly \$1.0 million were 14 percent of expenses. The lion's share of costs was for operating expenses amounting to \$6.2 million or 85 percent of program expenses. Operating expenses are comprised of utilities, insurance, repair and maintenance, and contracted services. The program contracts for these functions: janitorial, mechanical, elevator, pest control, and security services. All contracted costs are expected to increase in the 2009 biennium (19 percent in FY 2008 and 22 percent in FY 2009) due to additional service requirements, equipment, gasoline, and petroleum product cost increases and higher prevailing wage rates. Prevailing wage rates have increased 19.2 percent for janitorial, 18 percent for mechanical maintenance, and 28 percent for security workers.

Significant increases above the FY 2006 expense level that are included in the rates for the 2009 biennium are the following:

- Statewide adjustments for personal services increases base expenditures by \$171,300 or 13.6 percent each year
- Caretaker services increase \$430,600 for the biennium or 20.2 percent per year over the base of \$1.1 million
- Security protection increases \$319,100 for the biennium or about 56 percent per year over the base of \$284,700
- Electricity increases \$150,000 for the biennium or 6.4 percent per year over the base of \$1.2 million
- Natural gas increases \$398,600 for the biennium or 31.0 percent per year over the base of \$643,000
- Statewide indirect costs increase \$60,200 for the biennium or 90.1 percent per year over the base of \$33,400

Proprietary Rate Explanation

The rates for the Facilities Management Bureau are listed in Section R of HB 2.

Implied with approval of the rates are the following funding and policy changes:

- Fund common areas with general fund
- Provide general fund for \$3.2 million in deferred maintenance projects included in HB 4 of the special session

Significant Adjustments for the 2009 Biennium

The Facilities Management Bureau rates include funding changes totaling about \$2.0 million for the 2009 biennium. Approval of the rates implies approval of the funding changes identified below.

The following adjustments increase costs:

- An increase of \$954,800 for statewide present law adjustments, driven significantly by utility cost increases totaling \$549,000
- An increase of \$18,000 to allocate department indirect/administrative costs that fund other proprietary funded centralized services functions of the agency
- An increase of \$677,400 to address contract cost increases for janitorial, mechanical and elevator maintenance, pest control, and security protection contracts due to workload, prevailing wage, petroleum-based products, and insurance increases that are increasing contractor costs
- An increase of \$181,800 to contract with the Helena Police Department to provide one armed police officer on the capitol complex to enhance complex security
- An increase of \$169,400 to add 2.04 FTE to convert existing part-time positions for grounds maintenance into full-time positions to address increased demand for services as the result of increased number of facility locations

The following adjustment decreases costs:

- A decrease of \$17,300 to move 0.20 FTE for an existing position to funding in the appropriated portion of the program due to changed position duties

Print and Mail Services Bureau (Fund 6530)

Proprietary Program Description

The Print and Mail Services Bureau provides printing, mail services, duplicating, desktop publishing, layout and design, graphic and illustrative art, forms design, reprographics, binding and quick copy, and photocopier pools services for state agencies. The bureau has seven basic components: 1) internal printing; 2) external (contracted) printing; 3) photocopy pool; 4) mail preparation; 5) central mail operations; 6) inter-agency (deadhead) mail; and 7) postal contract station with locked mail boxes in the Capitol. Customers include all agencies and units within state government. Use of the photocopy pool is optional. A state agency may buy its own copier through the State Procurement Bureau. All printing or purchasing of printing is requested through print services, which determines the most cost effective method of project completion. Not all requests for printing are completed internally. Nearly 74 percent of printing expenditures are procured through commercial vendors. The Postal Contract Station provides mail services to the public.

Proprietary Revenues and Expenses

The Print and Mail Services Bureau provides all services as presented in the program description. Seven basic service categories provide revenues for the operations of the program in the following percentages:

- Internal printing charges user agencies for graphic design and layout, desktop publishing, reprographics, duplicating, bindery, and quick copy – 13.5 percent of revenue
- External printing procures printing through commercial vendors – 36.1 percent of revenue
- Photocopy pool provides state agencies with photocopiers – 8.5 percent of revenue
- Mail preparation prepares documents for mailing and includes tabbing, labeling, inkjet addressing, inserting, and bar coding – 5.1 percent of revenues
- Central mail operations, which include mail pick-up and delivery in agency offices, metering of out-going U.S. Mail, United Parcel Services (UPS), and express mail services – 34.5 percent of revenue
- Inter-agency (deadhead) mail provides sorting and delivery of incoming mail and pickup and delivery of deadhead mail – 1.8 percent of revenue
- Postal contract station located at the Capitol provides postal services to the public – 0.5 percent of revenue

In FY 2006, Print and Mail Services Bureau had revenues of roughly \$9.5 million from fees paid by agencies statewide. The payments for these revenues were accounted in agency expenditures to several different expenditure accounts. Because expenditure accounts used to account for payments to the bureau are used to account for activities that are not exclusively associated with the bureau, funding of customers is not readily available.

In FY 2006, revenues funded personal services for 41.70 FTE, operating costs, and equipment. Personal services of \$1.2 million were roughly 11.7 percent of expenses, with operating costs of \$8.3 million or 84.2 percent, and equipment of \$394,200 or 4.1 percent accounting for the remaining expenses of the bureau.

Major internal printing costs, excluding personal services, are for direct materials used in production, such as paper and ink, equipment repair and maintenance, and equipment replacement. Historical demand by agencies for printing services has remained fairly consistent with higher demand cycles when the legislature is in session. There are no changes or significant growth expected in the demand pattern. Unscheduled equipment repair or replacement provided the greatest amount of uncertainty to forecasting costs for internal printing.

For external printing the major expenses are pass-through costs of commercial print vendors. These costs have historically remained fairly consistent, but vary depending upon complexity and quantity of agency print projects.

Major expenses for the photocopy pool are pass-through photocopy costs, such as payments made to contracted vendors and personnel services.

Overhead costs for administration, accounting, and supplies are allocated to six of Print and Mail Services Bureau service categories based on FTE. The Capitol Post Office contract does not allow reimbursement for overhead costs.

Proprietary Rate Explanation

The rates for the operations of the Print and Mail Services Bureau are listed in Section R of HB 2. Approval of the rates implies the funding changes listed below.

The following adjustments increase costs:

- An increase of \$1.4 million for statewide present law adjustments
- An increase of \$23,600 to allocate department indirect/administrative costs that fund other proprietary funded centralized services functions of the agency
- An increase of \$298,700 to address workload impacts of the 2009 Legislature that are not in the base due to legislative sessions falling in a non-base year

The following adjustment decreases costs:

- A decrease of \$389,700 to remove funding for expenses incurred in FY 2006 for the purchase of equipment to address postal security mandates

Central Stores Program (Fund 06531)**Proprietary Program Description**

The Central Stores program contracts with a large warehouse distribution center to provide on-line ordering for office supplies. The program develops standard specifications, procures, warehouses, and delivers commonly used items to all state agencies and participating local governments. Customers include all agencies and units within state government and participating local governments.

Section 18-4-302(3), MCA, mandates state agencies to use central stores unless the publicly advertised price of an alternate supplier, established catalog price, or discount price offered to the agency is less than the price offered by the stores program, as long as the office supply conforms in all material respects to the terms, conditions, and quality offered by the stores program. Local governments and university system employees are not mandated to use central stores.

Proprietary Revenues and Expenses

In FY 2006, central stores had revenues of \$4.7 million from purchases by state agencies and local governments. Of these revenues \$1.1 million are recorded on the state accounting system as agency expenditures.

The revenues from state sources were received from the following funding sources in the percentages and approximate amounts listed:

- General fund (56.5 percent), \$606,000
- State special revenue (16.2 percent), \$173,200
- Federal special revenue (6.6 percent), \$71,300
- Proprietary funds (13.5 percent), \$144,600
- All other funds (7.2 percent), \$77,000

In FY 2006, Central Stores had expenses of \$4.6 million. Of these expenses, about \$4.0 million or 87.6 percent were for products purchased for resale. The remaining 12.4 percent of expenses are for costs to operate the program, including \$341,300 for personal services for 10.75 FTE and \$229,500 for other operating expenses.

Proprietary Rate Explanation

The rates for Central Stores are a percent markup of 25 percent on the products sold. The rate is the same for each year of the 2009 biennium and is listed in Section R of HB 2.

Surplus Property Program (Fund 06066)**Proprietary Program Description**

The Property and Supply Bureau operates the surplus property program to administer the sale of state and federal surplus property no longer needed by agencies. The federal surplus program acquires surplus property from federal agencies. This property is distributed to state agencies or other eligible organizations. The surplus property programs provide a mechanism to transfer surplus property between agencies and extend the life of state property. The program provides accountability in the disposal of surplus state property, provides agencies with a service to collect surplus equipment, and provides an in-state screening service to locate federal surplus property for state agencies and local governments.

Proprietary Revenues and Expenses

The state surplus property programs receive revenues by charging a handling fee applied to the proceeds from the sale of state property. The federal surplus property program receives revenue in accordance with a federal plan of operations approved by the federal General Services Administration. In FY 2006 the program had operating revenues from federal surplus handling fees of about \$18,100 and from the state handling fees of \$279,800. The program also had contributions of equipment of \$377,800.

In FY 2006 expenses were about \$560,800, which was comprised of \$183,800 for personal services for 6.40 FTE, \$384,400 for operating expenses, and \$11,500 for equipment. The major expenses associated with the surplus property program are personal services and costs to pick up and warehouse property.

Proprietary Rate Explanation

The state surplus property program retains a handling fee for property sold. If property is sold for less than \$200, the program retains the proceeds. The program retains \$200 plus unusual expenses for property sold for \$200-\$2,000, and 10 percent plus unusual expenses for property that is sold for more than \$2,000.

The federal surplus property program fees are an allocation of freight expense and 14 percent of acquisition cost. This is included in the Federal Plan of Operation, which has been approved by the Federal General Services Administration.

Because the program operates with funding from an enterprise type proprietary fund, the legislature does not approve rates.

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	9.00	3.00	1.00	13.00	3.00	1.00	13.00	13.00
Personal Services	611,264	160,050	79,353	850,667	161,371	113,516	886,151	1,736,818
Operating Expenses	291,186	103,907	1,103,322	1,498,415	97,268	25,547	414,001	1,912,416
Equipment	0	0	0	0	0	0	0	0
Grants	0	860,530	0	860,530	860,530	0	860,530	1,721,060
Debt Service	0	0	0	0	0	0	0	0
Total Costs	\$902,450	\$1,124,487	\$1,182,675	\$3,209,612	\$1,119,169	\$139,063	\$2,160,682	\$5,370,294
General Fund	409,018	234,357	372,247	1,015,622	233,198	114,703	756,919	1,772,541
State/Other Special	388,068	995,494	10,428	1,393,990	991,335	24,360	1,403,763	2,797,753
Federal Special	105,364	(105,364)	800,000	800,000	(105,364)	0	0	800,000
Total Funds	\$902,450	\$1,124,487	\$1,182,675	\$3,209,612	\$1,119,169	\$139,063	\$2,160,682	\$5,370,294

Program Description

Information Technology Services Division (ITSD) is a proprietary program that manages central computing and telecommunications services for state government. ITSD provides central mainframe and mid-tier computer services, and manages the statewide data network SummitNet, used by all agencies throughout the state. ITSD provides local and long-distance telephone network services used by all agencies, including the university system, and manages the state's video network METNET. ITSD coordinates electronic government services for the state, and manages the state's Internet presence at the Internet address mt.gov. ITSD also manages the Office of Cyber Protection.

Through the office of the chief information officer, the division develops the Statewide Strategic IT Plan, coordinates information technology for the state, and reviews and approves equipment and software acquisitions. The division also provides statewide information technology training, and supports consulting services contracts used by agencies in support of IT systems.

The division also coordinates geographic information systems (GIS) development and manages the state's 911 programs and public safety radio programs.

Program Highlights

Department of Administration Information Technology Services Division Major Budget Highlights	
♦	Budget adjustments increase total funds by \$3.6 million primarily for: <ul style="list-style-type: none"> • A funding switch for existing 3.00 FTE from proprietary to HB 2 funding for GIS coordination (\$2.2 million) • Enhancements to a geographic coordinate database (\$800,000) • A supercomputer center study (\$275,000) • Adding 1.00 FTE to administer a wireless enhanced 9-1-1 emergency communications services program (\$161,700) • Statewide pay plan adjustments (\$83,600) • Statewide present law adjustments (\$66,500)

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table Information Tech Serv Di						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
01000 Total General Fund	\$ 409,018	45.3%	\$ 1,015,622	31.6%	\$ 756,919	35.0%
01100 General Fund	409,018	45.3%	1,015,622	31.6%	756,919	35.0%
02000 Total State Special Funds	388,068	43.0%	1,393,990	43.4%	1,403,763	65.0%
02779 Montana Land Information	388,068	43.0%	1,393,990	43.4%	1,403,763	65.0%
03000 Total Federal Special Funds	105,364	11.7%	800,000	24.9%	-	-
03454 Homeland Security Grant	44,834	5.0%	-	-	-	-
03462 Gis-Homeland Security Grant	60,530	6.7%	800,000	24.9%	-	-
Grand Total	\$ 902,450	100.0%	\$ 3,209,612	100.0%	\$ 2,160,682	100.0%

Funding for the division is provided primarily with a proprietary fund that is not shown on the main budget tables, but is discussed in the proprietary rates section that follows the discussion of budget program activity. The legislatively appropriated portion of the division is funded with general fund, state special revenue, and federal special revenue. The division receives general fund to administer the statewide 911 emergency telephone program and the Public Safety Services Office. Federal special revenue funds a portion of the GIS coordination work within the division and until the 2009 biennium a portion of the Public Safety Services Office. State special revenue funds the remaining portion of the GIS coordination work with funding derived from land transaction fees under the Montana Land Information Act.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
-----Fiscal 2008-----					-----Fiscal 2009-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services				4,692					5,813
Vacancy Savings				(24,637)					(24,684)
Inflation/Deflation				1,375					1,456
Fixed Costs				52,627					49,830
Total Statewide Present Law Adjustments				\$34,057					\$32,415
DP 311 - Allocate department indirect/administrative costs									
0.00	(1,767)	8,092	0	6,325	0.00	(1,726)	8,131	0	6,405
DP 740 - GIS Funding Switch for 3.00 FTE									
3.00	0	1,084,225	0	1,084,225	3.00	0	1,080,472	0	1,080,472
DP 6015 - State Motor Pool Rate Change									
0.00	(102)	(18)	0	(120)	0.00	(105)	(18)	0	(123)
Total Other Present Law Adjustments									
3.00	(\$1,869)	\$1,092,299	\$0	\$1,090,430	3.00	(\$1,831)	\$1,088,585	\$0	\$1,086,754
Grand Total All Present Law Adjustments				\$1,124,487					\$1,119,169

DP 311 - Allocate department indirect/administrative costs - The legislative budget includes an increase of about \$16,200 state special revenue with a reduction of \$3,500 general fund for a net increase of \$12,700 over the biennium to fund increases in indirect cost payments for services received from proprietary funded centralized service functions of the agency.

DP 740 - GIS Funding Switch for 3.00 FTE - The legislative budget includes an increase of nearly \$2.2 million state special revenue to move 3.00 FTE existing staff from the proprietary portion of the program to the appropriated portion. The positions would be funded through the Montana Land Information Act (MLIA).

DP 6015 - State Motor Pool Rate Change - The funding for vehicle rentals and leases from the State Motor Pool was reduced from the level requested by the Governor.

New Proposals

New Proposals										
Program	FTE	Fiscal 2008				FTE	Fiscal 2009			
		General Fund	State Special	Federal Special	Total Funds		General Fund	State Special	Federal Special	Total Funds
DP 701 - Supercomputer Center Study - Bien/OTO 07	0.00	275,000	0	0	275,000	0.00	0	0	0	0
DP 710 - Geographic Coordinate Database (Bien) 07	0.00	0	0	800,000	800,000	0.00	0	0	0	0
DP 750 - House Bill No. 27 07	1.00	82,222	0	0	82,222	1.00	79,447	0	0	79,447
DP 6013 - 2009 Biennium Pay Plan - HB 13 07	0.00	14,487	10,254	0	24,741	0.00	34,685	24,180	0	58,865
DP 6014 - Retirement Employer Contributions - HB 131 07	0.00	538	174	0	712	0.00	571	180	0	751
Total	1.00	\$372,247	\$10,428	\$800,000	\$1,182,675*	1.00	\$114,703	\$24,360	\$0	\$139,063*

DP 701 - Supercomputer Center Study - Bien/OTO - The budget includes \$275,000 general fund for the biennium to conduct a study of a supercomputer center in Montana. The appropriation is one-time-only.

DP 710 - Geographic Coordinate Database (Bien) - The legislative budget includes an increase of \$800,000 federal special revenue to enhance the Geographic Coordinate Database under a grant received in October 2005. The funding would be spent after local stakeholder plans are developed, which are expected to be completed in the summer of 2007. The funding is designated as a biennial appropriation.

DP 750 - House Bill No. 27 - The legislative budget includes an increase of \$162,000 general fund to add 1.00 FTE to address the workload impacts of HB 27 that establishes a wireless enhanced 9-1-1 telephone system.

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement Employer Contributions - HB 131 - The legislature adopted HB 131, which increases the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund the increased contribution. Appropriations were included in the bill and not added to HB 2.

Proprietary Rates

Proprietary Program Description

The Information Technology Services Division (ITSD) manages the following information technology (IT) services for state government:

- Shared statewide desktop and data network services
- Central mainframe computer processing
- Mid-tier access and production services
- Local and long-distance telephone networking

- IT planning, research, and coordination
- Design, development, and maintenance support of IT applications
- Personal computer (PC) and office automation support and consultation
- Design and development of telephone equipment, networking applications, and other telecommunication needs
- Internet and intranet services
- Electronic government planning and coordination
- Central imaging
- Geographic information systems (GIS) coordination
- Disaster recovery facilities for critical data processing applications
- IT training

ITSD services are enterprise and statewide in nature, and therefore agencies are required by state law to use these services. If exceptional conditions exist, agencies may be granted exceptions to meet specific agency needs. All services are offered and provided to all state and local agencies.

In FY 2006 ITSD managed the State Accounting, Budgeting, and Human Resources System (SABHRS) operational support unit, which was transferred to the Administrative Financial Services Division at the beginning of FY 2007 under a reorganization of the agency. Revenues and expenses for the unit are included for ITSD through FY 2006, but under the Administrative Financial Services Division from FY 2007.

Funding for the ITSD is primarily from charges to state agencies for mainframe and mid-tier computer processing, desktop services, and state telephone support services as well as direct charges to state agencies and other entities. In order to coordinate state communication function, the division also receives a significant amount of "pass-through" funds paid on behalf of state agencies to communications vendors.

Proprietary Revenues and Expenses

In FY 2006, ITSD had revenues of about \$37.2 million from fees paid by agencies statewide.

These revenues were received from the following funding sources in the percentages and approximate amounts listed:

- General fund (32.1 percent), \$11.9 million
- State special revenue (24.6 percent), \$9.1 million
- Federal special revenue (22.7 percent), \$8.5 million
- Proprietary funds (9.9 percent), \$3.7 million
- All other funds (10.7 percent), \$4.0 million

In FY 2006, revenues funded personal services for 181.5 FTE and operating costs. With the transfer of the 35.00 FTE of the SABHRS Support Unit, personal services in FY 2007 fund 146.5 FTE. Personal services of \$11.3 million were 31 percent of expenses, with operating costs making up an additional \$24.9 million or 69 percent of expenses. As such, personal services are a fixed cost driver for the division operations. Other major service areas of the division have additional cost components that have large impacts on their operating costs. These significant cost drivers are listed below for the major service areas of ITSD:

- Desktop services rate - communications and software costs
- SABHRS administration - contracted services and software expenses
- Mainframe processing - software, supplies, depreciation, and debt service interest
- Telephone equipment and long-distance - communication and maintenance

Division management recommends a 30-day working capital balance to accommodate division billing and payment cycles. At the end of FY 2006, equipment and intangible assets accounted for roughly 46 percent of total assets of the fund.

In the 2007 biennium, state agencies were required to count network-attached devices and report that count to ITSD. This was a fairly manual process so it was difficult to do, not always accurate, and raised equity questions, such as whether

printers or other devices should be charged the same as desktops. Beginning in FY 2008, billing for desktop services will be done by user rather than device, except for certain non-State users. Each user accessing resources on SummitNet (state network) is required to have an enterprise directory logon identification account, and accounts cannot be shared by multiple people. Billing will be an automated process generated from user accounts in active directory. Certain user accounts will be exempted from billing such as administrative accounts (secondary account with higher privileges used by system administrators), resource accounts (shared resources such as central mailboxes, conference rooms, etc), and service accounts (for processes or applications such as backups).

Mainframe processing is expecting an approximate 30 percent decrease over the 2009 biennium. This is based on past trends and agency input. The trend to move away from the mainframe has been developing for several biennia, which has caused mainframe costs and rates going up due to losses of economies of scale.

Telephone equipment utilization is projected from base year volume. Long distance utilization is expected to remain at the 2007 biennial numbers.

Proprietary Rate Explanation

The rates for ITSD for the 2009 biennium are listed in Section R of HB 2.

Legislative approval of the rates implies approval of the funding changes listed below that total about \$3.6 million for the 2009 biennium, after deducting for the reorganization that moved the SABHRS Support Unit to the Administrative Financial Services Division in FY 2007.

The following adjustments increase costs:

- An increase of \$900,000 to fund statewide adjustments impacting the proprietary funded portion of the program
- An increase of \$92,000 to add 1.00 FTE to address demand increases in application development services to other agencies
- An increase of \$234,000 to add 2.00 FTE to support Windows, Unix, and Linux based systems due to the growth in the number of servers using these systems
- An increase of \$240,000 to add 2.00 FTE to work on developing one enterprise directory infrastructure
- An increase of \$256,000 to add 4.00 FTE to increase staffing of the state data center whereby eliminating shifts that are currently manned by a single operator
- An increase of \$1.9 million to procure and install equipment to support increased demand for electronic government services delivered 24 hours a day and 7 days a week. Equipment that would be added include servers to provide redundancy, disk storage devices to mirror between the primary data and an alternate site, an additional tape backup system to allow continuation of backup processes in the event of failure to the primary backup system, a secondary uninterruptible power (UPS) supply to provide redundancy for the primary UPS
- An increase of \$101,000 to add 1.00 FTE to develop, implement, and operate the interactive video systems throughout the state network
- An increase of \$223,000 to add 2.00 FTE to address workload issues associated with planning, policy, and standards development and administration of the Montana Information Technology Act
- An increase of \$256,000 to add 2.00 FTE to create a pilot program to provide remote network and desktop support out of Billings
- An increase of \$112,000 to add 1.00 FTE to work with agency IT managers, multiple IT support groups, building architects, and wiring vendors throughout the state to determine what the agencies needs are; develop cable plant designs to support current and future voice, video, and data applications; oversee the bid process for acquiring the services specified; certify the work was completed as requested; and approve the invoice for payment when the work has been completed and the plant certified

The following adjustments reduce costs:

- A reduction of \$11.3 million to move 35.00 FTE of the SABHRS Services Bureau to the Administrative Financial Services Division
- A reduction of \$374,000 to switch funding for 3.00 FTE existing geographic information system staff from proprietary funding to state special revenue in appropriated portion of the program
- A net reduction of \$322,000 to add 7.00 FTE, personal services, and operating expenses to hire existing vendor technicians of the equipment vendor for state telephone switches. The vendor restructured following its merger with another networks service provider and indicated plans to reduce the number of vendor technicians in the state.

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	36.00	0.00	2.00	38.00	0.00	3.00	39.00	39.00
Personal Services	1,946,070	526,974	161,479	2,634,523	636,767	312,468	2,895,305	5,529,828
Operating Expenses	660,750	106,887	122,640	890,277	66,330	145,672	872,752	1,763,029
Total Costs	\$2,606,820	\$633,861	\$284,119	\$3,524,800	\$703,097	\$458,140	\$3,768,057	\$7,292,857
State/Other Special	2,606,820	633,861	284,119	3,524,800	703,097	458,140	3,768,057	7,292,857
Total Funds	\$2,606,820	\$633,861	\$284,119	\$3,524,800	\$703,097	\$458,140	\$3,768,057	\$7,292,857

Program Description

The Banking and Financial Institutions Division licenses, supervises, regulates, and examines a variety of financial institutions operating in and outside Montana such as:

- State-chartered banks, trust companies, savings and loans, and credit unions
- Consumer loan and sales finance companies
- Title loan companies
- Escrow companies
- Foreign capital depositories in accordance with Title 32, MCA
- Deferred deposit loan companies
- Mortgage brokers and loan originators

The purpose of the supervisory function is to investigate the methods of operation in order to determine whether these institutions are operating in a safe and sound fiscal manner. Supervision of regulated financial business is accomplished through on-site safety and soundness examinations conducted by division examiners. The division also provides a consumers complaint process to resolve matters with the regulated financial institutions.

The State Banking Board is administratively attached to the division. The board is responsible for making final determinations of applications for new bank charters and foreign capital depository charters; hearing appeals of division decisions on branch bank, merger, or relocation applications; and acting in an advisory capacity with respect to the duties and powers given by statute or otherwise to the department as the duties and powers relate to banking and to the regulation of foreign capital depositories.

Program Highlights

Department of Administration Banking and Financial Division Major Budget Highlights	
◆	Budget adjustments add \$2.1 million state special due primarily for: <ul style="list-style-type: none"> • Statewide present law adjustments (\$920,000) • The addition of 3.00 FTE to address workload impacts of mortgage lender licensing (\$474,000) • A professional career ladder for bank examiners (\$312,500) • The statewide pay plan adjustments (\$262,600) • Rent increases for the Billings office (\$64,900)

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table Banking And Financial Di						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
02000 Total State Special Funds	\$ 2,606,820	100.0%	\$ 3,524,800	100.0%	\$ 3,768,057	100.0%
02077 Financial Institutions Div	2,606,820	100.0%	3,524,800	100.0%	3,768,057	100.0%
Grand Total	\$ 2,606,820	100.0%	\$ 3,524,800	100.0%	\$ 3,768,057	100.0%

The division is funded solely by state special revenue through assessments, application fees, and examination fees paid by the regulated financial institutions.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
Fiscal 2008					Fiscal 2009					
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds	
Personal Services				521,503					527,354	
Vacancy Savings				(98,704)					(98,937)	
Inflation/Deflation				13,507					14,357	
Fixed Costs				20,913					20,398	
Total Statewide Present Law Adjustments				\$457,219					\$463,172	
DP 311 - Allocate department indirect/administrative costs										
0.00	0	(2,974)	0	(2,974)	0.00	0	(2,436)	0	(2,436)	
DP 1401 - Fund professional career ladder program										
0.00	0	104,175	0	104,175	0.00	0	208,350	0	208,350	
DP 1404 - Rent increase for Billings office										
0.00	0	35,130	0	35,130	0.00	0	29,730	0	29,730	
DP 1405 - E-Licensing										
0.00	0	36,000	0	36,000	0.00	0	0	0	0	
DP 1406 - Lease van from Dept of Transportation Motor Pool										
0.00	0	5,385	0	5,385	0.00	0	5,385	0	5,385	
DP 6015 - State Motor Pool Rate Change										
0.00	0	(1,074)	0	(1,074)	0.00	0	(1,104)	0	(1,104)	
Total Other Present Law Adjustments										
0.00	\$0	\$176,642	\$0	\$176,642	0.00	\$0	\$239,925	\$0	\$239,925	
Grand Total All Present Law Adjustments				\$633,861					\$703,097	

DP 311 - Allocate department indirect/administrative costs - The legislative budget includes a reduction of \$5,400 state special revenue to fund indirect cost payments for services received from proprietary funded centralized service functions of the agency.

DP 1401 - Fund professional career ladder program - The legislative budget includes an increase of \$312,525 state special revenue to fund the division's professional career ladder program.

DP 1404 - Rent increase for Billings office - The legislative budget includes an increase of \$64,860 state special revenue to fund movement of the Billings-based bank examiners to new office space.

DP 1405 - E-Licensing - The legislative budget includes an increase of \$36,000 state special revenue in FY 2008 to fund contracted services to provide electronic licensing of consumer finance company licensees. Through the on-line system complaint reporting, initial licensing application and licensing renewal forms would be available for completion on-line at the division website or for printable download.

DP 1406 - Lease van from Dept of Transportation Motor Pool - The legislative budget includes an increase of about \$10,800 state special revenue to replace one existing division-owned vehicle with one leased from the State Motor Pool.

DP 6015 - State Motor Pool Rate Change - The funding for vehicle rentals and leases from the State Motor Pool was reduced from the level requested by the Governor.

New Proposals

New Proposals										
-----Fiscal 2008-----						-----Fiscal 2009-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1403 - License Mortgage Lenders										
14	2.00	0	202,885	0	202,885	3.00	0	271,137	0	271,137
DP 6013 - 2009 Biennium Pay Plan - HB 13										
14	0.00	0	78,478	0	78,478	0.00	0	184,136	0	184,136
DP 6014 - Retirement Employer Contributions - HB 131										
14	0.00	0	2,756	0	2,756	0.00	0	2,867	0	2,867
Total	2.00	\$0	\$284,119	\$0	\$284,119*	3.00	\$0	\$458,140	\$0	\$458,140*

DP 1403 - License Mortgage Lenders - The legislative budget includes an increase of \$474,000 state special revenue to fund personal services and operating costs to add 2.00 FTE in FY 2008 and 1.00 FTE additional in FY 2009 for licensing of mortgage lenders. Operating costs include \$119,000 for the development, implementation, and maintenance of an interactive database and electronic licensing.

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement Employer Contributions - HB 131 - The legislature adopted HB 131, which increases the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund the increased contribution. Appropriations were included in the bill and not added to HB 2.

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	31.50	0.00	0.00	31.50	0.00	0.00	31.50	31.50
Personal Services	1,480,114	128,400	58,322	1,666,836	132,725	128,399	1,741,238	3,408,074
Operating Expenses	5,877,674	45,949	0	5,923,623	(49,510)	0	5,828,164	11,751,787
Equipment	42,256	0	0	42,256	0	0	42,256	84,512
Total Costs	\$7,400,044	\$174,349	\$58,322	\$7,632,715	\$83,215	\$128,399	\$7,611,658	\$15,244,373
Proprietary	7,400,044	174,349	58,322	7,632,715	83,215	128,399	7,611,658	15,244,373
Total Funds	\$7,400,044	\$174,349	\$58,322	\$7,632,715	\$83,215	\$128,399	\$7,611,658	\$15,244,373

Program Description

The Montana State Lottery designs and markets lottery games that allow players to purchase chances to win prizes. The lottery presently offers a variety of instant/scratch and lotto-style games, some in cooperation with other lotteries through the Multi-State Lottery Association. A five-member lottery commission, appointed by the Governor, sets policy and oversees program activities and procedures. The net revenue, after prizes, sales commissions and operating expenses, is deposited in the state general fund on a quarterly basis.

Program Highlights

Department of Administration Montana State Lottery Major Budget Highlights	
♦	<p>Budget adjustments totaling \$444,300 were primarily for:</p> <ul style="list-style-type: none"> Statewide present law adjustments (\$243,000) Statewide pay plan adjustments (\$176,000) Increased rent costs (\$19,000) Increased employer contributions to retirement (\$11,000) Allocation of indirect costs of other proprietary funded programs of the department (\$6,500 reduction)

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table Montana State Lottery						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
06000 Total Proprietary Funds	\$ 7,400,044	100.0%	\$ 7,632,715	100.0%	\$ 7,611,658	100.0%
06001 State Lottery Fund	7,400,044	100.0%	7,632,715	100.0%	7,611,658	100.0%
Grand Total	\$ 7,400,044	100.0%	\$ 7,632,715	100.0%	\$ 7,611,658	100.0%

The lottery is funded entirely with proprietary funds derived from lottery game revenues. Net revenues of the lottery are by state law transferred to the general fund. Therefore, the lottery is indirectly funded with general fund and by law may only make expenditures against appropriations of the legislature.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
Fiscal 2008						Fiscal 2009				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					194,119					198,626
Vacancy Savings					(66,969)					(67,151)
Inflation/Deflation					3,175					3,503
Fixed Costs					38,702					(61,422)
Total Statewide Present Law Adjustments					\$169,027					\$73,556
DP 311 - Allocate department indirect/administrative costs										
0.00	0	0	0	0	(3,493)*	0.00	0	0	0	(2,955)*
DP 1501 - Commission Per Diem										
0.00	0	0	0	0	1,250*	0.00	0	0	0	1,250*
DP 1503 - Rent										
0.00	0	0	0	0	7,600*	0.00	0	0	0	11,400*
DP 6015 - State Motor Pool Rate Change										
0.00	0	0	0	0	(35)*	0.00	0	0	0	(36)*
Total Other Present Law Adjustments	0.00	\$0	\$0	\$0	\$5,322*	0.00	\$0	\$0	\$0	\$9,659*
Grand Total All Present Law Adjustments					\$174,349*					\$83,215*

DP 311 - Allocate department indirect/administrative costs - The legislative budget includes a reduction of nearly \$6,500 lottery proprietary fund to fund indirect cost payments for services received from proprietary funded centralized service functions of the agency.

DP 1501 - Commission Per Diem - The legislative budget includes an increase of \$2,500 lottery proprietary fund to fund per diem for five meetings of the lottery commission per year.

DP 1503 - Rent - The legislative budget includes an increase of \$19,000 lottery proprietary fund to fund rental contract specified increases for rent of the lottery building in Helena.

DP 6015 - State Motor Pool Rate Change - The funding for vehicle rentals and leases from the State Motor Pool was reduced from the level requested by the Governor.

New Proposals

New Proposals										
Fiscal 2008						Fiscal 2009				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6013 - 2009 Biennium Pay Plan - HB 13										
15	0.00	0	0	0	53,431*	0.00	0	0	0	122,235*
DP 6014 - Retirement Employer Contributions - HB 131										
15	0.00	0	0	0	4,891*	0.00	0	0	0	6,164*
Total	0.00	\$0	\$0	\$0	\$58,322*	0.00	\$0	\$0	\$0	\$128,399*

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement Employer Contributions - HB 131 - The legislature adopted HB 131, which increases the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund the increased contribution. Appropriations were included in the bill and not added to HB 2.

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	0.00	0.00	3.00	3.00	0.00	3.00	3.00	3.00
Personal Services	0	0	154,159	154,159	0	160,671	160,671	314,830
Operating Expenses	32,241	9,108	238,061	279,410	10,874	229,880	272,995	552,405
Transfers	0	0	0	0	0	0	0	0
Total Costs	\$32,241	\$9,108	\$392,220	\$433,569	\$10,874	\$390,551	\$433,666	\$867,235
General Fund	0	0	387,690	387,690	0	379,679	379,679	767,369
State/Other Special	32,241	9,108	4,530	45,879	10,874	10,872	53,987	99,866
Total Funds	\$32,241	\$9,108	\$392,220	\$433,569	\$10,874	\$390,551	\$433,666	\$867,235

Program Description

The Health Care and Benefits Division provides state employees, retirees, members of the legislature, and their dependents with group benefits in an efficient manner and at an affordable cost by administering a solvent, prudent benefits program. The division administers benefits plans including health, dental, prescription drug, life, long-term care, and vision coverage, flexible spending accounts, a sick leave fund, employee assistance services, health promotion, and a voluntary employee benefit health care expense trust. The division administers a lease and contract to provide daycare services for Helena area state employees. Finally, the division is responsible for the centralized oversight and management of workers' compensation related matters impacting the state as an employer.

Employee benefits are governed by 2-18-701 et seq., 2-18-801 et seq., 2-18-1101 et seq., 2-18-1301 et seq., and 33-2-712, MCA. The Montana Safety Culture Act as it applies to state government is found in 39-71-1501 et seq.

Program Highlights

Department of Administration Health Care and Benefits Division Major Budget Highlights	
<ul style="list-style-type: none"> ◆ The legislature approved an increase of about \$0.9 million, almost all in general fund, compared to base budget costs of \$32,241 state special revenue ◆ New proposals fund 3.00 FTE to implement centralized management of workers' compensation costs to: <ul style="list-style-type: none"> • Coordinate and provide for effective safety and loss-prevention strategies • Develop and coordinate effective return-to-work programs • Negotiate with the Montana State Fund ◆ Proprietary funding increases from \$100.5 million in FY 2006 to \$124.3 million in FY 2009 <ul style="list-style-type: none"> • The legislature approved a pay plan (HB 13) that includes a \$33 per month increase in the employer contribution to health premiums in FY 2008 and an additional \$36 per month increase in FY 2009, bringing the total employer contribution to \$626 per month at the end of the 2009 biennium • General fund costs to support the pay plan increase in employer share of health insurance premiums adds about \$15.7 million over the biennium and state special revenue costs are estimated to be \$13.5 million over the biennium 	

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table Health Care & Benefits D						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
01000 Total General Fund	\$ -	-	\$ 387,690	89.4%	\$ 379,679	87.6%
01100 General Fund	-	-	387,690	89.4%	379,679	87.6%
02000 Total State Special Funds	32,241	100.0%	45,879	10.6%	53,987	12.4%
02518 State Daycare Program	32,241	100.0%	45,879	10.6%	53,987	12.4%
Grand Total	\$ 32,241	100.0%	\$ 433,569	100.0%	\$ 433,666	100.0%

The Health Care and Benefits Division (HCBF) is funded predominantly with proprietary funds, made up of the state employer contributions to health care costs, premium payments by plan participants, investment income, and assessments to manage flexible spending accounts. The proprietary funds are not shown in the main budget tables. In summary, proprietary funding for health care benefits in FY 2006 was about \$98.5 million. About \$81.0 million was paid by state funds, including the employer share and employee supplemental payments, from the following sources:

- General fund - \$26.8 million
- State special revenue - \$24.0 million
- Federal funds - \$12.5 million
- Other funding sources such as proprietary funds - \$10.4 million

Other proprietary income included:

- Retiree payments, self payments, and COBRA payments – \$15.5 million
- Investment income - \$1.3 million

The division appropriation also includes a small amount of state special revenue to pay for lease costs for a day care program for state employees in Helena. The division receives contributions from state agencies through an annual memorandum of understanding between the division administrator and the director of each state agency. The allocation of these contributions is based upon the number of Helena area employees at each agency. The division pays for a portion of the lease payments for day care facility, minor repairs necessary to operate the daycare, and a small part of the statewide allocated costs.

The division appropriation also funds a new proposal to implement centralized oversight and management of workers' compensation costs for the State of Montana, which is funded from general fund and includes 3.00 new FTE.

Figure 1 shows the components of total proprietary revenues for the state employee group benefit plan. Employer contributions is the largest component contributing more than double other payment sources. Retiree premium payments are the next largest source. Legislative appropriations in the 2005 biennium provided funds for employer contributions in excess of what some employees could use, thereby generating a state share excess. This action helped offset a potential shortfall in the state health plan. Finally, payments from persons who can elect to pay premiums and continue as part of the state plan after leaving state employment – COBRA participants – make up a small portion of premium payments.

Figure 1

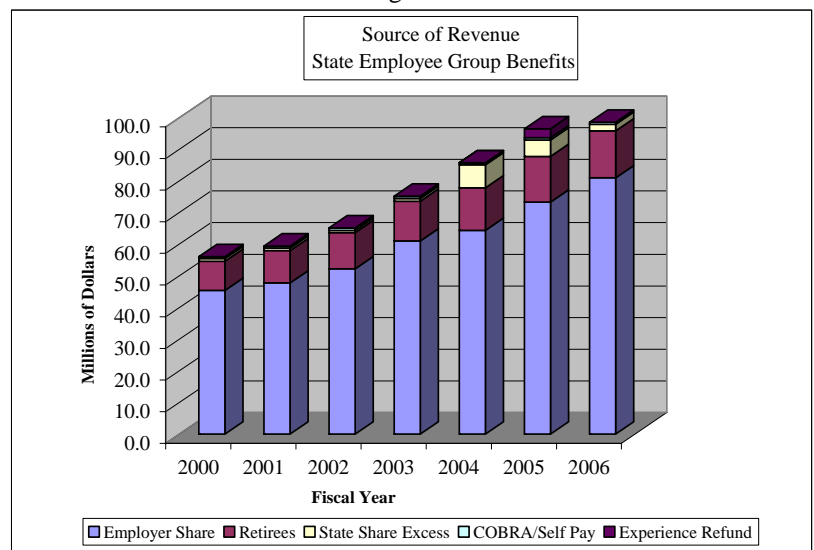


Figure 2

Historic and Projected Employer Contributions
for the State Employee Group Benefits Plan

Year	Employer Contrib.	Annual Change	Cost Trends*	
			Medical	Drugs
1996	\$220		n/a	n/a
1997	225	2.3%	n/a	n/a
1998	245	8.9%	9.0%	20.8%
1999	270	10.2%	8.9%	33.2%
2000	285	5.6%	8.7%	9.2%
2001	295	3.5%	2.1%	17.9%
2002	325	10.2%	13.4%	15.9%
2003	366	12.6%	4.4%	11.6%
2004	410	12.0%	-3.3%	-2.8%
2005	460	12.2%	9.9%	13.3%
2006	506	10.0%	10.0%	13.0%
2007	557	10.1%	10.0%	13.0%
2008	590	5.9%	10.0%	13.0%
2009	626	6.1%	10.0%	13.0%

*Cost trends for 2007 through 2009 are estimated.

Figure 2 shows historic rates for the employer contribution for employee insurance coverage, as well as historic and projected medical and pharmacy cost trends. HB 13 funds a \$33 increase in the monthly employer share in FY 2008 and another \$36 increase in FY 2009, for a total monthly contribution of \$626 in 2009. These rates, or employer share of premium costs, were negotiated with unions that represent state workers prior to the legislative session.

Figure 3 shows the fund source that has paid the employer contribution since FY 2001. General fund payments have ranged from a low of 38.4 percent in FY 2001 to a high of 39.7 percent in the following year. If general fund participation remains at the FY 2006 level (37.8 percent) during the 2009 biennium, estimated general fund costs to support the pay plan premium increases would be about \$15.7 million. Assuming state special revenue participation is the same percentage as in FY 2006 (33.0 percent), the premium increases would cost about \$13.5 million in state special revenue.

Figure 3

Fund Source Paying State Employer Group Health Share

Fund Source	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006	Percent of Total
General Fund	\$15,508,251	\$17,322,341	\$19,646,634	\$22,668,923	\$24,739,564	\$26,686,695	37.8%
State Special Rev.	14,233,429	14,412,732	16,433,562	19,819,203	22,468,736	24,172,290	34.2%
Federal Funds	6,604,240	7,279,736	8,546,020	10,308,256	11,799,115	12,063,605	17.1%
Other Funds	4,081,839	4,601,355	5,309,467	6,122,232	7,233,365	7,759,709	11.0%
Total	\$40,427,760	\$43,616,165	\$49,935,683	\$58,918,613	\$66,240,780	\$70,682,298	100.0%
Percent Change		7.9%	14.5%	18.0%	12.4%	6.7%	

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments									
-----Fiscal 2008-----					-----Fiscal 2009-----				
FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Fixed Costs				(9)					(9)
Total Statewide Present Law Adjustments				(\$9)					(\$9)
DP 2108 - Daycare Program Lease									
0.00	0	9,117	0	9,117	0.00	0	10,883	0	10,883
Total Other Present Law Adjustments									
0.00	\$0	\$9,117	\$0	\$9,117	0.00	\$0	\$10,883	\$0	\$10,883
Grand Total All Present Law Adjustments				\$9,108					\$10,874

DP 2108 - Daycare Program Lease - The legislature added an additional \$20,000 state special revenue to cover the costs of increased rent for the state daycare center. Total annual appropriations are \$45,879 in FY 2008 and \$53,987 in FY 2009.

New Proposals

New Proposals										
-----Fiscal 2008-----						-----Fiscal 2009-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 2111 - Workers' Compensation Cost Containment - OTO										
21	3.00	387,690	0	0	387,690	3.00	379,679	0	0	379,679
DP 6013 - 2009 Biennium Pay Plan - HB 13										
21	0.00	0	4,530	0	4,530	0.00	0	10,872	0	10,872
Total	3.00	\$387,690	\$4,530	\$0	\$392,220*	3.00	\$379,679	\$10,872	\$0	\$390,551*

DP 2111 - Workers' Compensation Cost Containment - OTO - This bill appropriates \$0.7 million general fund over the biennium for centralized oversight of workers' compensation cost containment efforts and to continue funding 3.00 modified FTE added FY 2007 – a program manager, an early-return-to-work manager, and a safety program coordinator. In addition to the FTE, the funding includes \$200,000 to hire a third party administrator for the early-return-to-work program, \$17,000 for lease of office space, \$10,000 for loss prevention outreach campaigns and education, and \$8,325 for office set-ups for the new FTE and for support of activities related to report preparation and presentation to interim legislative committees. Services to limit losses and to facilitate early return-to-work programs for all of state government will be provided. The appropriation is made for the 2009 biennium only to allow legislative review of program performance prior to appropriating funds to continue the effort.

The following information was utilized as part of the legislative decision making process, and will be used for ongoing program evaluation. Except for one goal - number 8 - it is as submitted by the agency, with editing by LFD staff as necessary for brevity and/or clarity. Goal number 8, as listed on the HCBD website, is adopted by this bill.

Justification: Workers' compensation premiums are one of the fastest growing costs in agency budgets. In FY 2001 the workers' compensation premiums for the state totaled \$6.6 million and are estimated to be \$17.4 million in FY 2007, a 164 percent increase over a five-year time period. The annual premium increases for agencies over this time period range from a low of 14.9 percent to a high of 30.1 percent. At this rate, workers' compensation premiums are doubling nearly every two biennia.

The major functions of this program will be to:

- Ensure compliance with the Montana Safety Culture Act (Title 39, Chapter 71, Part 15, MCA) for the State of Montana as an employer, working in cooperation with the Department of Labor and Industry
- Coordinate and provide for effective safety and loss-prevention strategies aimed at reducing or eliminating the incidence of work-related fatalities, illness, and injury in state employees
- Develop and coordinate effective return-to-work programs to permit injured workers to return to productive employment, reduce workers' compensation loss-time claims, and enhance productivity for state government
- Provide financial accountability and oversight for the workers' compensation expenditures for State of Montana government as an employer

Goal(s):

1. Reduce the incidence of occupational injury and illness among state employees;
2. Reduce the incidence of workers' compensation wage-loss claims for state government;
3. Reduce workers' compensation premiums for state agencies;
4. Enhance productivity within agencies by reducing the amount of time workers are separated from their jobs due to occupational injury or illness;
5. Improve the safety of the physical work environment in compliance with the Montana Safety Culture Act;
6. Provide a central data and financial management repository for workers' compensation information within state government;
7. Function as the central point for negotiation and management of workers' compensation coverage through the insurance carrier, Montana State Fund; and

8. Reduce the number of work-time loss injury claims among employees by 50 percent during the 2009 biennium.

Performance Criteria: Progress toward each of these goals would be measured in the following manner:

1. Timely completion of all milestones identified in the work plan to implement this program;
2. The experience 'mod-factor' for workers' compensation would be used as a measure of progress. The number of state agencies or entities achieving a mod-factor below 1.0 would be compared to the most recent annual data available. For agencies with mod factors below 1.0, the goal would be to sustain the mod-factor level. For agencies above 1.0, the goal would be to achieve a mod-factor of 1.0 or lower. The number of injuries and illnesses for each agency would also be measured and compared to the most recently completed base year as a measure of progress;
3. In accident year 2004 (the most recent year with 'developed' history) the state had 221 wage-loss claims. The goal would be to reduce this number to fewer than 200 during 2008 and 2009;
4. In addition to reducing the underlying claims which drive the premiums, the division would evaluate alternative rating methods and plan designs (e.g. changes in retention plan, deductible programs), review business processes impacting the rates as permitted by law (e.g. reserving of claims, case management of claims, etc.), and negotiate on the state's behalf for the most favorable workers' compensation premiums during the 2009 biennium. The goal would be a funding arrangement that provides proper incentives for the insurer (Montana State Fund), the employer and the employees to improve employee outcomes and reduce costs. Progress toward the goal would be measured by the rate of increase in workers' compensation premiums for state agencies compared to other Montana employers and the number of other processes and methods identified that would reduce costs; and
5. Early-return-to-work (ERTW) functions would be coordinated or put in place across state government during the biennium. The average time away from work due to injury would be measured with and without these services under programs provided by Montana State Fund or by a third-party administrator (funding requested). Where data on overtime or additional costs incurred by agencies as a result of the temporary loss of the worker can be determined, this measure would also be reported.
6. Other performance criteria include:
 - o Number of agencies that incorporate safety as a component of their employee and management performance structure (job description and performance appraisals)
 - o Number of ergonomic assessments completed
 - o Number of safety consultations and trainings completed
 - o Physical plant repairs/safety mitigations completed in response to injury reports (slips, trips and falls)
 - o Compliance of agencies with required components of the Montana Safety Culture Act
7. A website with access to agency level workers' compensation data and reports, links to Montana State Fund data and reports, links to the Department of Labor and Industry (Safety Bureau and Employment Relations Division) and to other resources would be developed to provide individual agency personnel with support and tools to assist in managing their workforce relative to workers' compensation and exchange information among state agencies for best practices in workforce management relative to workers' compensation issues.

Milestones: Significant milestones outlined in the work plan for this activity include:

- | | |
|-------------------------------------------------------------------------|--------------------|
| 1. Analysis of current State of MT employer workers' environment | April 2006 (C) |
| 2. Establishment of single account relationship with State Fund | May 2006 (C) |
| 3. FY07 WC rate renewal negotiations with State Fund | May 2006 (C) |
| 4. Statewide management introduction to program | September 2006 |
| 5. Resource, program and activity inventory | October 2006 |
| o Agencies | |
| o Montana State Fund | |
| o Risk Management and Tort Defense (DoA) | |
| o Dept of Labor and Industry (Safety and Employment Relations Division) | |
| 6. Hiring program FTE | |
| o Workers' Compensation Program Manager | September 2006 (C) |
| o Safety Program Coordinator | November 2006 |
| o Early-Return-to-Work Manager | December 2006 |
| 7. Based on results of inventory (4.) determine | December 2006 |

best practices for safety/ early-return-to-work	
8. Alternative State Fund funding/ rating arrangement discussion	April 2007
9. Safety program initiation by agency	April 2007
10. Development of incentive program (employee/agency)	March 2007
11. Rate renewal negotiations (FY08)	May 2007
12. Contracting for ERTW vendor	June 2007
13. Implementation of ERTW programs	September 2007
14. Ongoing implementation of safety program & marketing	June 2007
15. Management of State of Montana account with State Fund	Quarterly/annual rate renewal

(C) Indicates task is completed

FTE: Workers' Compensation Program Manager – 1.0 FTE
 Safety Program Coordinator - 1.0 FTE -
 Early-Return-to-Work Manager – 1.0 FTE -

Funding: The source of funding for this program is general fund. Currently there is no dedicated stream of revenue in state government related to workers' compensation which is not being used by agencies to provide programs already. Diverting dollars such as volume discounts, ERTW incentives, and dividends would impact agency programs which are intended to be an integral part of the state approach to containing costs. The costs of this program could potentially be recovered through the statewide cost allocation program (SWCAP), but that has not been confirmed with the federal negotiator.

The purpose of this program is to reduce the overall cost of workers' compensation for state agencies. At the FY 2007 premium level of \$17.4 million, reducing the rate of increase in premium growth by 2 percent would pay the full annual costs for the program in each year of the biennium. Any reduction beyond 2 percent would result in a net savings to state government which would be distributed proportionally across agency funding sources.

Obstacles: During the last 20 years there has not been a comprehensive effort to manage workers' compensation costs and impacts across state government. The biggest obstacle would be behavior changes in employees and managers to reduce the incidence of occupational illness and injury.

Risk: Without any action, it is likely that state agency workers' compensation premiums would continue to rise 15-30 percent annually. The current cost of workers' compensation premiums (\$17.4 million annually) is equivalent to 65 percent of the pay plan increase for FY 2006. At the current growth rate, workers' compensation premiums could cost more than funding a pay plan increase for the 2011 biennium.

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

Language

"The department is appropriated up to \$500,000 state special revenue each year of the biennium to assist agencies in reducing workers' compensation injuries and costs. These funds may not be expended for activities that duplicate other agency expenditures or programs."

Proprietary Rates

Proprietary Program Description

The division manages two proprietary programs: employee benefits, which includes the state's health and other benefit insurance plans, and flexible spending accounts. Both accounts are enterprise funds.

Employee Benefits Program

The employee benefits program, fund 06559, is charged with providing state employees, retirees, members of the legislature, and their families with adequate medical, dental, prescription drug, life, and other related group benefits in an efficient manner and at an affordable cost. The program operates a self-insured health, prescription drug, and dental plan. Life, long-term disability, and long-term care insurance are purchased from private sector vendors on a fully-insured basis. The program contracts with private companies to provide claims processing services, health screenings, and employee assistance program, flexible spending account administration and wellness plan administration.

The core service provided by the program is a medical (including prescription drug coverage), dental, and life insurance benefit package. Plan members have several options to choose from which include an indemnity plan and managed care plans administered by three different carriers (New West Health Services, Blue Cross and Blue Shield of Montana, and Peak Health Plan) through their provider networks.

Proprietary Rate Explanation

The employee benefits program is funded by premium payments. Statute ((2-18-703)(2), MCA) defines the state contribution, i.e. the employer share of premium toward health care and benefits coverage and is the rate determined by the legislature for this fund. As a component of employee compensation, the state contribution is a subject of collective bargaining.

The employer share is usually established by the legislature in the pay plan bill (HB 13 this session). While the employer share is fixed, the program has latitude to change premium amounts, co-payments and deductibles, and to make certain changes to covered benefits. Premium increases above the amount funded in the pay plan bill are paid by plan participants.

The objective for the state contribution is to provide sufficient dollars to underwrite affordable coverage for all participants in the plan including sufficient dollars to cover the "employee only" cost of providing a core medical, dental, and life insurance benefit. Historically, there have been a few dollars of the state contribution left over that employees can apply toward dependent coverage, additional life insurance, purchase of optional benefits, or to place into a medical or dependent care flexible spending account (FSA).

Income for the program in FY 2006 was about \$97.8 million. The state share portion of this income was \$70.0 million or 72 percent. Of the \$70.0 million, about \$1.4 million, or 2 percent, was due to additional state share appropriated by the legislature during the 2005 session to address the financial shortfall in the employee benefit plan fund during the previous biennia. The remaining income was from participant paid premiums and investment earnings. Total expenses during FY 2006 were \$90.2 million. Restoration of statutory reserves and accumulation of excess reserves made up the difference. Projected income for the next biennium should match projected expenditures to maintain plan solvency.

Standard insurance industry analytical techniques are used to project plan costs, establish sufficient actuarial reserves and set premium amounts for the various plan options. In managing the plan the department has the opportunity to increase income by increasing participant premiums or to reduce expenses by reducing the amount of plan coverage. Plan coverage changes include increasing participant deductibles and co-payments, eliminating the payment for some services, negotiating lower costs for medical services, or looking for opportunities to reduce the cost of services provided using knowledge of the given health care environment.

The base program expenditures supported 11.87 FTE (down from 13.01 FTE during the 2007 biennium). Figure 4 shows the spending increases anticipated for the state employee health benefits plan for the 2009 biennium. Growth in health benefits costs is the biggest change by far adding an estimated \$40.2 million over the biennium. Other increases for office space, funding for 4.00 new FTE, and computer system maintenance and readiness add \$0.6 million.

Figure 4
Planned Additions to the Group Benefits
Operating Costs for the 2009 Biennium

Item	FY 2008	FY 2009
Insurance Claims	\$19,039,576	\$30,505,634
4.00 New FTE	225,979	213,045
Office Lease	55,315	55,315
Benefits Module Maintenance	27,500	27,500
SABHRS Readiness	30,000	0
Total Planned Increases	\$19,378,370	\$30,801,494
FY 2006 Base Expenditures	\$94,645,032	\$94,645,032
Percent Change from Base	20.5%	32.5%

The additional FTE include 1.00 FTE for an in-house claims auditor to ensure accurate and appropriate payment of claims made by the benefit plan and members, 1.00 FTE for in-house case management services (resulting in a substantial savings over contracting this function), 1.00 FTE for a document technician to support the maintenance and distribution of legal plan documents and members communication materials, and 1.00 FTE to for an information technology manager to support the technology interface needs of the division with internal (SABHRS) and external systems.

Alternate Sources: As an alternative to providing a self-insured health plan, the state could purchase an insured plan from the private sector. Historical studies of comparable insurance plans have shown that this alternative would be more expensive. The state has operated a statewide plan since 1979 and a self-insured plan since the early 1980s.

Customers Served: In excess of 35,000 persons are covered by the benefit plans in the following categories; 12,200 regular full-time and part-time executive, legislative, and judicial branch employees; 3,300 retirees; 100 COBRA participants; and 19,400 dependents.

Flexible Spending Account Program

The state offers its employees the opportunity to participation in a medical care and a dependent care flexible spending account, which allows them to pay for qualified expenses with pre-tax dollars. The division contracts with a account administrator whose fees are based on the number of employees participating in the plan. Employees designate a portion of their paycheck to be directed to the flexible spending accounts and are charged a monthly services fee, which is also collected through the payroll process. As participants in the plan incur medical or dependent care costs that are not reimbursed to them through other sources, they file a claim with the administrator who in turn reimburses the participant with funds from the flexible spending accounts maintained by the state, up to the employee's annual election amount. Amounts that are not claimed are forfeited by the employee, and are retained by the fund to help cover operating costs.

Rate Explanation

The program had revenues of \$5.2 million in FY 2006. Of these revenues, \$5.1 million was reimbursed to plan participants. The fund had a surplus of \$154,382 at the end of FY 2006. The department projects that the fund will incur a lost of \$106,297 in FY 2008 and a surplus of \$114,058 in FY 2009.

The rate charged to participants in the flexible spending account plan is established through the competitive procurement process and contract negotiations with the successful bidder.

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	15.53	(0.25)	0.00	15.28	(0.25)	0.00	15.28	15.28
Personal Services	670,041	159,913	26,806	856,760	162,358	61,554	893,953	1,750,713
Operating Expenses	182,056	12,528	0	194,584	16,347	0	198,403	392,987
Total Costs	\$852,097	\$172,441	\$26,806	\$1,051,344	\$178,705	\$61,554	\$1,092,356	\$2,143,700
General Fund	852,097	172,441	26,806	1,051,344	178,705	61,554	1,092,356	2,143,700
Total Funds	\$852,097	\$172,441	\$26,806	\$1,051,344	\$178,705	\$61,554	\$1,092,356	\$2,143,700

Program Description

The State Personnel Division provides state agencies with a variety of human resource management programs including training, position classification and salary administration, employee relations, and assistance with compliance with state and federal employment law. The state general fund is reimbursed for administrative costs of the State Personnel Division through the statewide cost allocation plan. The division publishes state rules, standards, and policies relating to recruitment, selection, discipline, grievance, performance appraisal, leave, and other personnel matters. The division administers eligibility for the various benefit plans including health, life, long-term care, dental, and vision insurance, accidental death and dismemberment, a sick leave fund, employee incentive awards, and flexible spending accounts. The division also is the process owner of the SABHRS HR enterprise system and through its Central Payroll Bureau prepares, maintains, and distributes payroll for all state employees.

Program Highlights

Department of Administration State Personnel Division Major Budget Highlights	
◆	Besides a reduction to transfer 0.25 FTE to another program of the department, other key adjustments were for: <ul style="list-style-type: none"> • Statewide present law adjustments (\$379,000) • Statewide pay plan adjustments (\$86,000) • Allocations of indirect costs for payments to proprietary programs of the department (\$15,000)

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table State Personnel Division						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
01000 Total General Fund	\$ 852,097	100.0%	\$ 1,051,344	100.0%	\$ 1,092,356	100.0%
01100 General Fund	852,097	100.0%	1,051,344	100.0%	1,092,356	100.0%
Grand Total	\$ 852,097	100.0%	\$ 1,051,344	100.0%	\$ 1,092,356	100.0%

Funding for general personnel administration functions is from the general fund. The Professional Development Center is funded with proprietary fees charged to state agencies for training services. Payroll is funded with proprietary fees

charged to state agencies for payroll processing services. The proprietary funded portions of the division are not shown on the main budget tables, but are discussed in the proprietary rates at the end of the section for the division.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
Fiscal 2008						Fiscal 2009				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					216,798					219,365
Vacancy Savings					(35,474)					(35,575)
Inflation/Deflation					1,295					1,800
Fixed Costs					3,844					6,934
Total Statewide Present Law Adjustments					\$186,463					\$192,524
DP 311 - Allocate department indirect/administrative costs	0.00	7,415	0	0	7,415	0.00	7,640	0	0	7,640
DP 2305 - Transfer 0.25 FTE Attorney to Labor Relations	(0.25)	(21,411)	0	0	(21,411)	(0.25)	(21,432)	0	0	(21,432)
DP 6015 - State Motor Pool Rate Change	0.00	(26)	0	0	(26)	0.00	(27)	0	0	(27)
Total Other Present Law Adjustments	(0.25)	(\$14,022)	\$0	\$0	(\$14,022)	(0.25)	(\$13,819)	\$0	\$0	(\$13,819)
Grand Total All Present Law Adjustments					\$172,441					\$178,705

DP 311 - Allocate department indirect/administrative costs - The legislative budget includes an increase of about \$15,100 general fund to fund increases in indirect cost payments for services received from proprietary funded centralized service functions of the agency.

DP 2305 - Transfer 0.25 FTE Attorney to Labor Relations - The legislative budget includes a reduction of about \$42,800 general fund to transfer 0.25 FTE attorney position from the State Personnel Division to the Office of Labor Relations in the Administration and Financial Services Division.

DP 6015 - State Motor Pool Rate Change - The funding for vehicle rentals and leases from the State Motor Pool was reduced from the level requested by the Governor.

New Proposals

New Proposals										
Fiscal 2008						Fiscal 2009				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 6013 - 2009 Biennium Pay Plan - HB 13										
23	0.00	25,816	0	0	25,816	0.00	60,507	0	0	60,507
DP 6014 - Retirement Employer Contributions - HB 131										
23	0.00	990	0	0	990	0.00	1,047	0	0	1,047
Total	0.00	\$26,806	\$0	\$0	\$26,806*	0.00	\$61,554	\$0	\$0	\$61,554*

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement Employer Contributions - HB 131 - The legislature adopted HB 131, which increases the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund the increased contribution. Appropriations were included in the bill and not added to HB 2.

Proprietary Rates

Proprietary Program Description

The State Personnel Division manages two proprietary programs: Professional Development Center (intergovernmental training) and Payroll (payroll and benefits eligibility processing).

Intergovernmental Training (Fund 06525)

Proprietary Program Description

The intergovernmental training fund supports the operation of the Professional Development Center (PDC). The PDC provides training and other services, such as facilitation, mediation, and curriculum design, to state agencies on a fee reimbursement basis. The use of PDC training is not mandatory for agencies that could choose from several available alternatives, such as seminars sponsored by national training firms, conferences and symposia, contracted training consultants, in-house training programs, and courses through post-secondary education institutions.

Proprietary Revenues and Expenses

In FY 2006, the Professional Development Center had revenues of \$259,170 from fees paid by agencies statewide. The funding for customer payments to the PDC could not be determined because the accounting code used to record payments to the PDC for training is also used to record a variety of other training costs.

In FY 2006, revenues funded personal services for 3.08 FTE and operating costs. Personal services of nearly \$169,600 were 62 percent of expenses, with operating costs making up the remaining \$105,800 or 38 percent of PDC expenses. Of the operating costs, \$30,300 fund fixed costs or 11 percent of the annual expenses.

Proprietary Rate Explanation

The rates for the Professional Development Center are listed in Section R of HB 2 of the special session under the intergovernmental training heading of the division.

Payroll (Fund 06563)

Proprietary Program Description

The payroll fund supports the statewide payroll and human resources (HR) system to process, distribute, report, and account for payroll, and associated withholding and deductions for more than 13,000 state employees in three branches of Montana state government and processing of benefit eligibility elections for 35,000 active, retired, and terminated employees and covered dependents. The Payroll and Benefits Operations Bureau establishes and maintains standards, processes, and procedures to be followed by state agencies in preparing and submitting payroll and related HR data into the system. The system operated by the bureau provides information and processing in support of division and statewide functions and programs including benefits, classification, pay, policy, and training.

Proprietary Revenues and Expenses

In FY 2006, the bureau had revenues of roughly \$453,100 from payroll processing fees paid by state agencies.

These revenues were received from the following funding sources in the percentages and approximate amounts listed:

- General fund (39.2 percent), \$177,800
- State special revenue (35.7 percent), \$161,700

- Federal special revenue (12.7 percent), \$57,500
- Proprietary funds (11.1 percent), \$50,200
- All other funds (1.3 percent), \$5,900

In FY 2006, revenues funded personal services for 12.89 FTE and operating costs. Personal services of \$630,100 were 72 percent of expenses, with operating costs making up the remaining \$243,700 or 28 percent of bureau expenses.

Proprietary Rate Explanation

The rates for the payroll fund are listed in Section R of HB 2. Implied in the rates are the following funding changes:

- An increase of about \$182,600 to fund statewide present law adjustments
- An increase of \$28,400 in FY 2008 to contract directly with the PeopleSoft/Oracle Corporation for specific, high-level, on-site payroll, human resources, and benefits systems training
- An increase of about \$12,500 to fund allocation changes and increases in indirect administrative cost payments made to other proprietary programs of the department

Program Description

The Risk Management and Tort Defense Division insures state agencies against risk of loss for property, vehicles, boilers, airports, aircraft, fidelity bonds, and fine arts. The state self-insures against property losses under \$150,000 (\$250,000 for the prison), and claims for general liability, errors and omissions, inland marine, auto liability, and foster care liability. The state also carries full coverage auto insurance on certain state-owned vehicles and on various leased or loaned vehicles. The division also provides risk management and safety training, consultation services, claims administration, and legal defense to prevent or minimize the adverse effects of physical or financial loss.

Program Highlights

Department of Administration Risk Management & Tort Defense Major Budget Highlights	
◆	Premiums charged for insurance decrease by about \$1.6 million per year from the FY 2006 level due primarily to claims experience

Funding

The Risk Management and Tort Defense Division is funded entirely with proprietary funds financed with revenues from premium payments from state agencies.

Proprietary Rates

Proprietary Program Description

The Risk Management and Tort Defense Division (RMTD) purchases catastrophic commercial property and casualty insurance to cover aviation and property losses that are above self-funded deductibles for state agencies, boards, councils, commissions, and the university system. Through in-house staff and contracted services, the division self-insures general liability, vehicle liability, professional liability, errors and omissions, inland marine, leased/loaned vehicles, and foster care exposures. The Department of Administration accumulates a self-insurance fund to pay for losses, purchase insurance, and fund operations.

The division provides risk management/safety training and consultative services to state agencies to prevent and/or minimize the adverse effects of physical or financial loss. The division also investigates, evaluates, and defends agencies, officers, and employees of the state in tort liability claims and coordinates the adjudication and settlement of claims involving damage to state property.

Proprietary Revenues and Expenses

In FY 2006, the Risk Management and Tort Defense Division had revenues of roughly \$13.9 million from premiums paid by state agencies. These revenues were received from the following funding sources in the percentages and approximate amounts listed:

- General fund (18.0 percent), \$2.5 million
- State special revenue (22.1 percent), \$3.1 million
- Federal special revenue (6.7 percent), \$0.9 million
- Proprietary funds (14.7 percent), \$2.0 million
- All other funds (38.4 percent), \$5.3 million

In FY 2006, revenues funded personal services for 16.00 FTE, operating costs, and insurance claims. Personal services of \$0.8 million were 15.3 percent of expenses and operating costs of \$1.9 million were 74.8 percent of expenses.

Each fiscal year the division contracts with an actuarial consulting firm to project the state's estimated unpaid loss and loss adjustment expenses. The actuarial evaluation provides an estimate of the funding that would be necessary if all of the state's claims and lawsuits for prior fiscal years came due at the same time. Actuarial projections of unpaid losses as of

June 30, 2006, are \$16.2 million. Actuarial projected future loss costs for FY 2008 and FY 2009 determined the ultimate projected loss for those fiscal years to be \$6.0 million and \$6.4 million respectively. Since claims and lawsuits are filed at different times and are typically paid out over as many as 10 years, it is not probable that all claims would come due at once.

The actual loss amount for FY 2006 was lower than previously estimated by the actuary, so a balance sheet adjustment was made to lower the liability for estimated claims payable. The accounting transaction used to make the adjustment involved booking a negative expense of \$4.1 million, which explains the drop of other operating expenses in FY 2006 and subsequent increase in FY 2007.

Proprietary Rate Explanation

The rates for the Risk Management and Tort Defense Division are listed in Section R of HB 2 of the special session and reflect the following premium changes by insurance type.

Automobile Comprehensive and Collision

The fund insures approximately 9,200 vehicles. The automobile comprehensive and collision premium rates in this bill are \$1,146,000 for each year of the 2009 biennium. The 2009 biennium rates represent reductions of \$458,213 for each year with respect to the FY 2006 rate, or a 28.6 percent annual reduction. Premiums for automobile insurance are being reduced because of the downward trend of claims, loss expenses, and actuarial estimates of claims payable that have been on the decline since FY 2003. The rates are based on an actuarial study.

Aviation

The fund insures 26 aircraft (including helicopters) that are owned and operated by state agencies and used for various functions such as law enforcement, game management, fire fighting, transportation of state employees, and aerial topography. The fund also insures 15 state-owned airports, including the West Yellowstone Airport with its 3,000 annual flights.

The aviation premium rates are \$167,807 in FY 2008 and \$185,931 in FY 2009 and represent a decrease of \$6,207 in FY 2008 and an increase of \$11,917 in FY 2009 from the FY 2006 rate. The FY 2008 rate declines due to the low number and amount of historical aviation losses, but the FY 2009 rate increases primarily because of the high anticipated cost of catastrophic commercial insurance in FY 2009. An actuarial study was not conducted for aviation insurance due to the small number of claims and variability in costs.

General Liability

General liability insurance is the largest area of coverage for the state. General liability covers state agency operations for prisons, hospitals, institutions, highway maintenance and design, law enforcement, wildlife resource management, supervision of foster children, and many other functions.

The number of liability claims and associated costs continues to decline despite an increase in exposure. It is because of the decline in the number of claims, loss expenses, and actuarial estimates of claims payable that are driving reductions in the general liability insurance premium rates to \$7,124,000 in each year of the 2009 biennium. The 2009 biennium rates in the bill represent reductions of \$79,492 for each year with respect to the FY 2006 rate, or a 1.1 percent annual reduction.

Property

The property insurance premium funds insurance for 4,219 properties owned or leased by state agencies and universities. The estimated current replacement cost for the properties is more than \$3.0 billion. In addition, the state maintains and operates 545 boilers and is responsible for fine art whose estimated market value exceeds \$200.0 million.

The premium rates for property insurance are \$4,443,591 for each year of the 2009 biennium, which represent annual reductions of \$506,300 from the FY 2006 premium rate, or 10.2 percent annual reductions. The reductions are due to a

decline in reported exposure for the 2009 biennium. Reduced exposure is due to recent loss history where the state self insurance program has covered losses because they have fallen below the \$250,000 per occurrence level at which commercial catastrophic insurance applies. Lower commercial experience has resulted in lower commercial coverage rates.

Program Legislative Budget

The following table summarizes the total legislative budget for the agency by year, type of expenditure, and source of funding.

Program Legislative Budget								
Budget Item	Base Budget Fiscal 2006	PL Base Adjustment Fiscal 2008	New Proposals Fiscal 2008	Total Leg. Budget Fiscal 2008	PL Base Adjustment Fiscal 2009	New Proposals Fiscal 2009	Total Leg. Budget Fiscal 2009	Total Leg. Budget Fiscal 08-09
FTE	6.50	0.00	1.00	7.50	0.00	1.00	7.50	7.50
Personal Services	257,249	25,766	58,584	341,599	26,519	72,650	356,418	698,017
Operating Expenses	54,069	7,668	0	61,737	9,327	0	63,396	125,133
Local Assistance	811	0	0	811	0	0	811	1,622
Total Costs	\$312,129	\$33,434	\$58,584	\$404,147	\$35,846	\$72,650	\$420,625	\$824,772
General Fund	312,129	33,434	58,584	404,147	35,846	72,650	420,625	824,772
Total Funds	\$312,129	\$33,434	\$58,584	\$404,147	\$35,846	\$72,650	\$420,625	\$824,772

Program Description

The State Tax Appeal Board provides a tax appeal system for all actions of the Department of Revenue. It hears appeals from decisions of the 56 county tax appeal boards, primarily involving residential and commercial property valuation, and takes original jurisdiction in matters involving income taxes, corporate taxes, severance taxes, centrally-assessed property and new industry property, motor fuels taxes, vehicle taxes, and cabin site leases. The board travels throughout the state to hear appeals from decisions of the county tax appeal boards and to conduct informational meetings for the various county tax appeal boards. The State Tax Appeal Board directs the county tax appeal board secretaries, who are state employees, and pays their salaries and employee benefits from its personal services appropriation. The board also reviews and pays the expenses, including employee benefits, of those county tax appeal board secretaries who are county employees. In addition, the board pays the clerical-related expenses for all 56 county tax appeal boards, including supplies, postage, and copies, but excluding office equipment.

Program Highlights

Department of Administration State Tax Appeal Board Major Budget Highlights	
♦	Budget adjustments increase general fund by \$200,500 for the two years of the biennium over the \$312,000 base due primarily to: <ul style="list-style-type: none"> • Add 1.00 FTE administrative support (\$95,700) • Fund statewide present law (\$65,500) • Fund pay plan adjustments (\$34,900)

Funding

The following table shows program funding, by source, for the base year and for the 2009 biennium as adopted by the legislature.

Program Funding Table State Tax Appeal Board						
Program Funding	Base FY 2006	% of Base FY 2006	Budget FY 2008	% of Budget FY 2008	Budget FY 2009	% of Budget FY 2009
01000 Total General Fund	\$ 312,129	100.0%	\$ 404,147	100.0%	\$ 420,625	100.0%
01100 General Fund	312,129	100.0%	404,147	100.0%	420,625	100.0%
Grand Total	\$ 312,129	100.0%	\$ 404,147	100.0%	\$ 420,625	100.0%

The board is funded entirely by the general fund.

Present Law Adjustments

The "Present Law Adjustments" table shows the primary changes to the adjusted base budget approved by the legislature. "Statewide Present Law" adjustments are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies. The other numbered adjustments in the table correspond to the narrative descriptions.

Present Law Adjustments										
-----Fiscal 2008-----						-----Fiscal 2009-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
Personal Services					37,558					38,343
Vacancy Savings					(11,792)					(11,824)
Inflation/Deflation					226					320
Fixed Costs					5,596					7,070
Total Statewide Present Law Adjustments					\$31,588					\$33,909
DP 311 - Allocate department indirect/administrative costs										
	0.00	1,846	0	0	1,846	0.00	1,937	0	0	1,937
Total Other Present Law Adjustments										
	0.00	\$1,846	\$0	\$0	\$1,846	0.00	\$1,937	\$0	\$0	\$1,937
Grand Total All Present Law Adjustments					\$33,434					\$35,846

DP 311 - Allocate department indirect/administrative costs - The legislative budget includes an increase of about \$3,800 general fund to fund increases in indirect cost payments for services received from proprietary funded centralized service functions of the agency.

New Proposals

New Proposals										
-----Fiscal 2008-----						-----Fiscal 2009-----				
Program	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 3701 - STAB 1.0 FTE										
37	1.00	47,823	0	0	47,823	1.00	47,864	0	0	47,864
DP 6013 - 2009 Biennium Pay Plan - HB 13										
37	0.00	10,428	0	0	10,428	0.00	24,433	0	0	24,433
DP 6014 - Retirement Employer Contributions - HB 131										
37	0.00	333	0	0	333	0.00	353	0	0	353
Total	1.00	\$58,584	\$0	\$0	\$58,584*	1.00	\$72,650	\$0	\$0	\$72,650*

DP 3701 - STAB 1.0 FTE - The legislative budget includes an increase of \$95,700 general fund to fund personal services to add 1.00 FTE administrative specialist.

DP 6013 - 2009 Biennium Pay Plan - HB 13 - The legislature passed a pay plan (HB 13 of the 2007 regular session) that provides an additional 3.0 percent in FY 2008 and FY 2009, a 0.5 percent increase in the 10-year longevity increment, an additional 0.6 percent discretionary allocation, as well as an additional \$33 per month in health insurance contribution in FY 2008 and an additional \$36 per month in FY 2009. These amounts represent this program's allocation of costs to fund this pay plan.

DP 6014 - Retirement Employer Contributions - HB 131 - The legislature adopted HB 131, which increases the employer contribution to retirement systems. The amounts shown represent this program's allocation of costs to fund the increased contribution. Appropriations were included in the bill and not added to HB 2.